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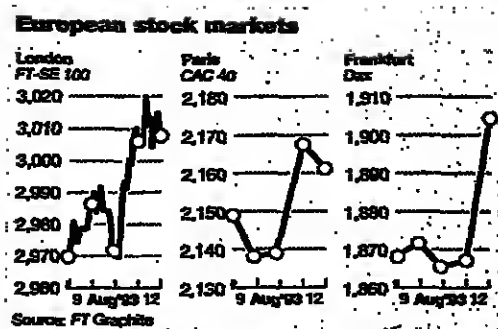


**SOMORROW'S weekend FT**  
A slow boat through the heart of Europe

# FINANCIAL TIMES

FRIDAY AUGUST 13 1993

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## London stock market holds on to new record

A buoyant London stock market yesterday held on to its newly-established peak levels - but only just. By the close, the FT-SE 100 Index was 3 points up on the day at 3,009.1, a new closing high. In Frankfurt, the Dax index broke 1,900 to close 39.15 points higher at 1,904.95. The Paris bourse ended weaker after setting a record intra-day high, with dealers blaming profit-taking as the CAC-40 index closed 5.33 lower at 2,161.87 after an earlier peak of 2,179.04. London stocks, Page 25; World stocks, Page 36; Peril of losing touch with the real world, Page 13.

**Yeltsin pledges autumn elections:** Russian President Boris Yeltsin vowed to hold fresh parliamentary elections in the autumn, even if this meant violating the constitution, in an effort to break the deadlock over political and economic reform. Page 12.

**UBS net income rises 89%:** Union Bank of Switzerland, one of the world's strongest commercial banks, has reported an 89 per cent jump in net income to Sfr1.25bn (\$840m) in the first half. Page 13; Observer, Page 11.

**Prosecutors may recall witnesses:** Public prosecutors investigating industrial spying and theft allegations against Volkswagen employees may recall witnesses for further questioning, following reports that data belonging to Adam Opel, the German subsidiary of General Motors, may have been punched into VW computers. Page 2; Letters, Page 10.

**Japan SDP leader offers to resign:** The Social Democratic party, the biggest member of Japan's new seven-party ruling coalition, entered a potentially divisive period of soul-searching when Sadao Yamahana offered to resign as leader. Page 3.

**Ford-Werke, the German subsidiary of the US vehicles group, refused to comment on reports in the industry newsletter, PS Report, that its American-born chairman John Hardiman, is to be replaced by a German, Albert Caspers.** Page 2.

**US wholesale prices fall:** US wholesale prices fell for the second month running in July, indicating that the sluggish economic recovery is generating little or no upward pressure on inflation, the Labour Department reported. Page 4.

**Canadians firm over NAFTA:** Canada's business community backed the Ottawa government's refusal to include trade sanctions in the side-deals on labour and the environment being negotiated as part of the North American free trade agreement. Page 4.

**UK pits face closures:** British Coal, the state-run corporation, wants to close up to half its 30 working pits within eight months after an investigation which suggested only about a dozen pits have a long-term future. Page 5.

**Pilkington sells stake to Japan:** Pilkington, the UK glassmaker, is selling a 30 per cent stake in Triplex Safety Glass, its UK automotive glass subsidiary, to Nippon Sheet Glass of Japan for £13.3m (\$19.5m). Pilkington shares rose 5p to 149p. Page 13.

**RTZ plan threatened:** RTZ Corporation's \$108m plan to reduce its shareholding in the Lihir gold project in Papua New Guinea - the largest known gold deposit outside South Africa - is under threat from the PNG government. Page 13.

**Lufthansa returns to the black:** Lufthansa, the German national airline, returned to the black in the second quarter with a small pre-tax profit of DM24m (\$13.9m) as its cost-cutting programme started to show results. Page 14.

**Venezuela:** The Venezuelan congress has granted President Ramon J. Velasquez special powers until the end of this year to introduce a series of economic measures by decree. Page 4.

STOCK MARKET INDICES		STERLING	
FT-SE 100	3,009.1 (+3.0)	New York: DJIA	1,465
Yield	3.81	London: S	1.462 (1.473)
FT-SE Europe 100	1,280.84 (+6.14)	DM	2,575 (2,538)
FT-A All-Share	1,485.38 (+0.2%)	FF	6,047 (6,023)
Nikkei	20,785.28 (+32.71)	Sfr	2,276 (2,220)
New York: Dow Jones Ind	3,556.80 (+26.55)	Y	191 (192.7)
S&P Composite	447.34 (+2.52)	Z Index	80.3 (80.8)
US LUNCHTIME RATES		DOLLAR	
Federal Funds	2.75%	New York: DJIA	1,465
3-mo T-bill	3.05%	DM	1,745
Long Bond	7.00%	FF	6,035
Yield	6.38%	Sfr	1,822
LONDON MONEY		Y	183.15
3-mo interbank	5.75% (same)	DM	1.72 (1.718)
Life long bill future	5.12% (Sep 12/13)	FF	6,047 (6,033)
NORTH SEA OIL (Argus)		Sfr	1,285 (1,227)
Brent 15-day (Sep)	\$18.95 (18.7)	Y	183.15 (182.7)
Oil Gold	86.3 (85.5)	S Index	86.3 (85.5)
New York: Comex (Aug)	\$367.4 (375.3)	Tokyo close	¥163.37
London	\$374.5 (375.25)		

Austria	S&O	Germany	DM3.30	Malta	LM0.60	S. Arabia	SR11
Bahrain	BD1.20	Greece	DR20	Morocco	MD1.10	Singapore	SG\$1.10
Belgium	BF10	Hungary	H112	Neth	FL 3.75	Slovakia	SK\$1.45
Bulgaria	LV10.00	Ireland	IR10	Norway	Nkr1.45	Spain	PT12.00
Czech Rep	CS10.00	India	Rs10	Poland	PLz1.00	Sweden	SKr1.10
Cyprus	CP\$1.00	Israel	Sh1.00	Portugal	Esc1.00	Switzerland	Sfr1.00
Danish	DKr1.00	Italy	L1,200	Romania	Lei1.00	Taiwan	NT\$1.00
Denmark	DKr1.00	Jordan	JD1.00	Saudi Arabia	Sr1.00	Thailand	THB1.00
Egypt	E£1.00	Kuwait	KD1.00	Slovenia	SIT1.00	Turkey	TL1.00
Finland	FMk1.00	Luxembourg	LF1.00	Slovenia	SIT1.00	Ukraine	UAH1.00
France	FF10.00	Latvia	LVk1.00	Czech	CSk1.00		

## Japan's PM urges action to calm markets

Yen surge prompts fears of further damage to economy

By Robert Thomson in Tokyo and Stephanie Flanders in London

MR Morihiro Hosokawa, Japan's new prime minister, yesterday called for international intervention to calm currency markets after the yen closed at a Tokyo record of ¥103.37 to the dollar, up from ¥103.77 a day earlier.

The yen's recent surge has prompted concern in the new coalition government that an already weakened Japanese economy will suffer further damage because of the sudden fluctuations.

Mr Hosokawa's call follows suggestions in recent months by Finance Ministry officials that the US should intervene to halt the yen's rise, particularly as comments by US government officials had sparked an earlier bout of appreciation.

However, US officials have indicated that, while not in favour of sudden movements, they believe yen appreciation will assist in cutting Japan's widening trade surplus.

Mr Hosokawa did not indicate how he expected the international intervention to be organised. Over the past few years, the Japanese central bank and US Federal Reserve have intervened on a piecemeal basis to smooth exchange movements, with mixed success.

The last large-scale concerted intervention outside of the European exchange rate mechanism occurred in August 1992, when 15 central banks bought dollars to halt the dollar's decline.

Mr Hosokawa emphasised that the value of the yen, which strengthened further in London,

did not reflect the true state of the Japanese economy and appeared to be the result of speculation. Since the end of last year, the yen has appreciated by 17 per cent, and Mr Hosokawa, who took office on Monday, has faced calls for action from Japanese business leaders, who had expected that the yen would weaken this month.

The strengthening, which has

Japan SDP leader offers to resign  
Unwelcome gifts for the new team

come in spite of daily intervention this week by the Bank of Japan, is putting extreme pressure on export-oriented manufacturers, suffering from a decline in domestic demand and now facing higher price tags abroad.

A senior economist at the Japan Development Bank said yesterday the yen's strength would encourage Japanese manufacturers to increase their production output in east Asia, slowing domestic capital expenditure and leading to job losses.

While the negative effects of the yen's movement have been quickly felt by Japanese companies, a consumer survey by the Economic Planning Agency has found that only 43.9 per cent of respondents say that the currency's appreciation has led to lower prices for imported goods.

The respondents, 96.7 per cent of the 4,061 people surveyed by the government agency, said they would prefer discounts on every day goods rather than on luxury imported items.

## Ferfin share price collapses in Milan

By Haig Simonian in Milan

SHARES in Ferruzzi Finanziaria (Ferfin), Italy's second-biggest private company, collapsed on the Milan bourse yesterday as investors tried to put a value on the debt-laden group's equity.

Trading closed at L299. Ferfin's shares last traded at L417.80 on Monday before being suspended in advance of plans to slash the nominal share price to L5 from L1,000. Yesterday's official price, based on the day's average, was L234.40, after the shares opened at L101 to establish a trading pattern.

Separately, bank creditors to the group, which had total borrowings of L28,838bn (\$17.83bn) at the end of May, were told a rescue package, expected later this month, would not be unveiled until mid-September.

Ferfin's share price has perplexed even hardened professionals on the volatile Milan bourse. Although large write-downs in the nominal value of shares are not unknown - it has happened twice in the past 20 years to the Montedison industrial group, now controlled by Ferfin - there has never been a write-down on this scale.

Representatives of the country's leading shareholders' association told members to hold on to their stock, in spite of the selling wave. The gap between supply and demand meant it took 90 minutes for an opening price to

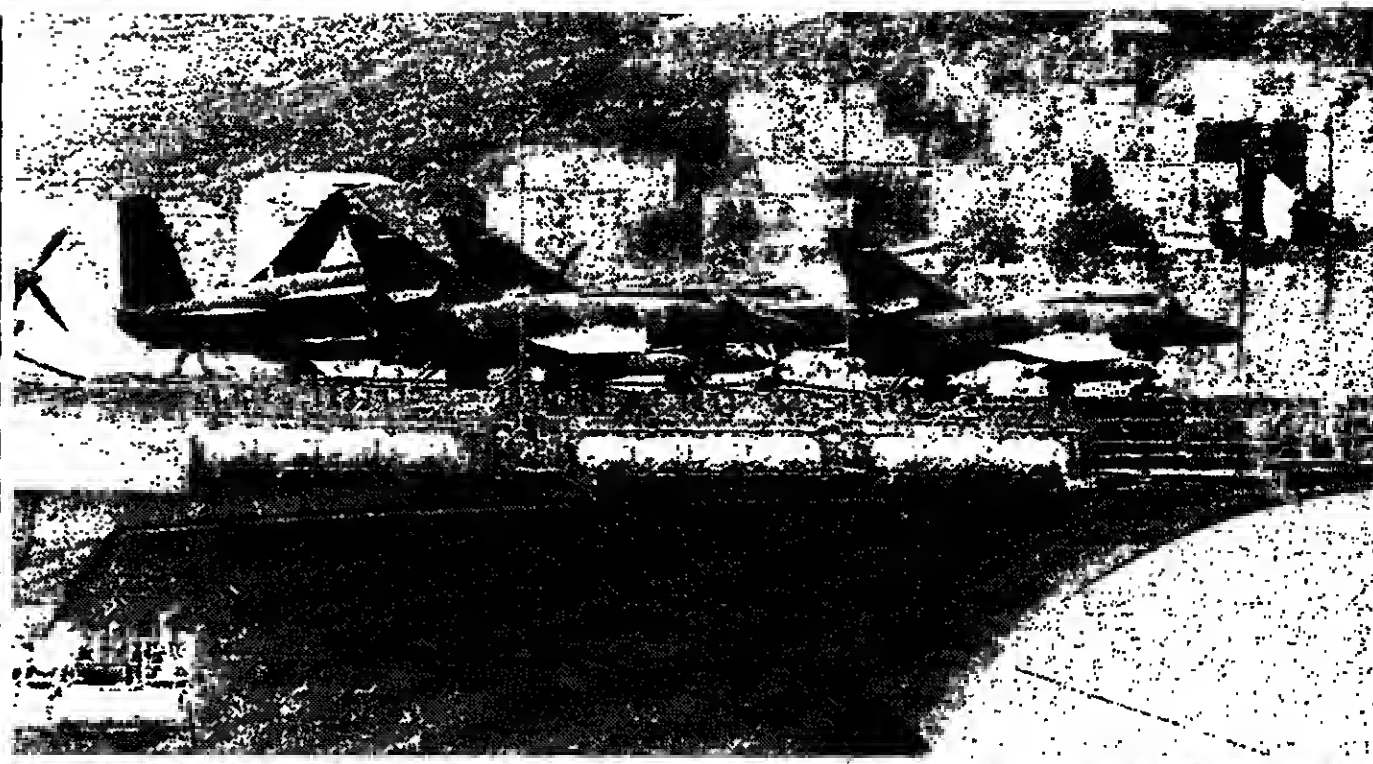
be set. The crisis began in late May, when the company revealed that total borrowings had risen to about L31,000bn at the end of 1992. A five-member committee of bank creditors, called in by the Ferruzzi family and Ferfin's former managers, uncovered a range of financial irregularities, leading to a sharp upwards revision of Ferfin's and Montedison's losses.

Separately, arrests by magistrates investigating the 18-month political corruption scandal found Montedison had allegedly paid kickbacks of about L135bn to politicians during the former Enimont chemicals joint venture with the state-owned Eni group.

The small savers' association called for an investigation into why Ferfin, which allegedly ran a separate set of books, was not more strictly supervised. The association wants to know why the three independent representatives at the company, required under Italian law, were unaware of the alleged irregularities.

Shareholders have also criticised Price Waterhouse, Ferfin's auditors, which certified its 1992 accounts. In June, Price Waterhouse withdrew its certification when signs of alleged fraud emerged. Consob, the companies and stock market watchdog, has also been attacked for not acting sooner.

Lex, Page 12  
Ferfin shareholders feel the breeze, Page 14



Jaguar fighter jets aboard a French carrier moored at Trieste harbour in the Adriatic sea, northern Italy, stand by to intervene in the Bosnia conflict as part of the Nato force if formally asked by the United Nations. Signs grow for air strikes, Page 12

## France's reserves hit by attempt to back franc

By John Riddling in Paris, James Stutz in London and Quentin Peel in Bonn

THE Bank of France has been left with a substantial net deficit in its foreign currency reserves as a result of its attempts to keep the franc inside the European exchange rate mechanism at the end of last month.

Figures issued yesterday by Bank of France showed that the country's net reserves fell by almost FF190bn (\$32.25bn) in the week to August 5. The central bank was left with a deficit of more than FF180bn in its foreign exchange holdings.

The franc slipped against the D-Mark yesterday after the central bank figures were issued. The Danish krone also fell sharply against the D-Mark amid signs that Denmark also needed to replenish its foreign exchange reserves in the wake of the ERM crisis.

The drain on French reserves will have been due almost entirely to the central bank's intervention in the currency markets to try to keep the franc above its former ERM floor against the D-Mark.

On July 29 alone, the day the franc first fell to its ERM floor against the D-Mark, economists estimate the central bank spent more than the FF160bn used to defend the franc in its previous crises in January this year and September 1992.

The total amount of reserves used by the French authorities in the recent crisis is estimated to exceed FF300bn. The French authorities have tried to maintain the value of the franc against the D-Mark by maintaining high short-term lending rates in their domestic money market.

The franc closed yesterday at FF3.51 against the D-Mark, about a third of a centime down on the day. But at one stage, the currency was being bought at FF3.52.

The reserves data helped to explain France's cautious approach to reducing interest rates since the widening of fluctuation bands within the currency system on August 2.

Economists said that if the French authorities were to lower interest rates, the currency could fall against the D-Mark - but the central bank would have no reserves with which to support the exchange rate through currency intervention.

The krone came under even heavier selling pressure inside

## German car industry told it must shed 100,000 jobs

By Christopher Parkes in Frankfurt

THE GERMAN automotive industry must shed a further 100,000 jobs and cut costs by between 20 and 30 per cent in the next two years if it is to survive, according to Mr Achim Diekmann, chief executive of the VDA motor industry association.

If vehicle and component makers did not regain competitiveness quickly they would disappear, he said.

The association could see no signs of recovery. German car output was expected to drop by 18 per cent this year, compared with forecasts last winter of a 10 per cent decline.

This implies a slump from record production of 4.66m cars in 1992 to about 4m.

The industry's expectations had been based on hopes of recovery in France and Italy, but new registrations in the first seven months of this year have dropped by 24 per cent in Italy and 17 per cent in France.

German sales, originally expected to fall 20 per cent so far, in an interview with a German news

agency, Mr Diekmann warned that the domestic market would be hit again in early 1994 by a 16 pfennigs a litre increase in petrol taxes.

This, the third increase within a short time, had come at precisely the wrong moment for the motor industry, he added.

German vehicle and component makers had already cut 95,000 jobs in the two years to the end of June, and were halfway towards the optimum workforce, Mr Diekmann said.

Extra demand from the former East Germany had disguised the underlying downwards trend and delayed introduction of structural changes.

He said that in the first half of this year, when German factories produced 2.1m motor vehicles of all types, a further 1m bearing German brands were manufactured abroad.

Plans by BMW and Mercedes to open factories in the US and Volkswagen's projected doubling of capacity in China foreshadowed an acceleration in this trend, industry officials noted.

At the same time, German components manufacturers are increasingly using capacity out-

side Germany to supply trans-

plant factories. Mr Diekmann named no companies, but his opinions clearly matched those of Volkswagen, currently embroiled in a spying controversy with Opel, German subsidiary of General Motors.

VW, the second biggest industrial concern in Germany, is engaged in cutting its domestic workforce by about 15,000 to 100,000 by the end of 1997.

Meanwhile its attempts to reduce component costs by 30 per cent have been denounced as "extortion" by suppliers.

Mr Louis Hughes, former head of Opel, and now running GM Europe in Zurich, was widely criticised last year when he said Germany's automotive industry had to lose half its workforce.

Mr Diekmann's latest forecasts related strictly to the automotive industry, which employed 693,000 at the end of May.

His office explained yesterday that predictions of up to 300,000 job losses from a total workforce of 1.7m, made by Mr Diekmann a year ago, related to jobs directly and indirectly dependent on the motor industry, in steel manufacture, for example.

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● A central securities exchange supervisory authority is needed to make Frankfurt more attractive as a financial centre, Mr Theo Waigel, the finance minister, said yesterday. Reuter reports, "But we must do several things to make the Frankfurt exchange centre so attractive that it can contend on a Europe-wide and worldwide level," he said in a TV interview.

Mr Waigel also said he was in the process of drawing up a law on insider trading abuses.

**THE BANK** of Spain and one of the country's biggest commercial banks said yesterday they believed Spain's recession was easing. They predict that the decline in gross domestic product will slow slightly in the second half of the year, indicating the economic downturn may have bottomed out.

The Spanish central bank says in its latest economic bulletin it expects GDP to fall by 1.9 per cent in the second half,

The depreciation of the franc and undermine Mr Balladur's credibility as an advocate of the "franc fort" policy. It would also give legitimacy to the criticism of the government within his Gaullist RPR party, who have advocated more expansionist economic policies. These include Mr Philippe Seguin, president of the National Assembly, who has said that the government has more protectionist policies.

Practically, a strong franc is needed to help rebuild foreign

The policy of the franc fort is regarded by the government as the best way to ensure the recovery of the economy. In addition, D-Mark link, greatly weakened, as the symbol of co-operation in the European union, might be stronger than other to avoid the import of petitive devaluation.

The French authorities have some room for manoeuvre. Figures published yesterday which confirmed an annual inflation rate of just over 2 per cent suggest that there is no immediate danger in currency depreciation. More important, the fact that the franc has been relatively stable since the half-point cut in the overnight rate suggests that the central bank has been able to bring rates down further without unsettling the foreign exchange markets.

Mr Ballardur will be encouraged by the resilience of the franc after this week's rate cuts. But with the strength of the D-Mark expected to persist as EC central banks pay back their loans to the Bundesbank, the situation remains fragile. Despite the attractions of stepping up the pace of rate cuts, the French are likely to continue to tread carefully.

policy of piecemeal replacement of switching and transmission equipment is "gradually killing" the country's overloaded telephone system. With over 800,000 applications for telephone lines outstanding, one-quarter of them in Athens, the waiting period for a new connection can be as

The law also sets out a restrictive policy on tariff structures, limiting yearly rises to one percentage point below the inflation rate.

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Banco Central Hispano (BCH) said the slide in GDP had stabilised at minus 1.1 per cent since March, which it took as a sign that "the fall in economic activity may have touched bottom."

BCH said the brake in recession was because of strong export growth and falling imports, but peseta devaluations since last autumn, and a sharp fall in imports as internal demand was withered.

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Mr. and Mrs. both BOH in Spain insist that the loss of jobs is not the result of heavy on current efforts to agree a

the unions agreeing to freeze wages next year and employers promising to freeze dividend payments at their present levels.

The unions argue strongly against a wage freeze, and they say a dividends freeze is pointless while so many companies are making losses.

Spain's economic planners blame high wage growth for the country's inability to hold inflation down and the central bank said it was "worried"

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compared with the official 1.1 percent fall in the first half.

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BCH said the brake in recession was because of strong growth in exports following three peseta devaluations since last autumn, and a sharp fall in imports as internal demand has withered.

BCH said it expects a further slowdown.

**'Fall in economic activity may have touched bottom'**

output. However, the Bank said that any stoppage would also depend on the success of the government's

pected a further fall in economic activity may have 'bottom'.

Mr. both HCH Spain insisted on job losses and heavily on current efforts to agree a three-year incomes policy, with the unions agreeing to freeze wages next year and employers promising to freeze dividend payments at their present levels.

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A government spokesman said yesterday the road block was illegal, and that the order applied to all regions.

The strike is the latest in a growing number of labour conflicts, mainly over pay as workers try to cope with three-digit inflation and without subsidised food and energy.

Romanian road workers have said they too will go on strike next week if their pay demands are not met. A warning strike last week hobbled Romania's border points with Hungary and Bulgaria for two hours.

**Ford ma  
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## by reshuffling cutting p

**le German p**  
**ressures mou**

The negotiations are focusing on the price of the mines and other Mibrag divisions. A consortium negotiator yesterday said that a valuation of Mibrag done for the Treuhand

The move is part of a gradual policy by the new government of prime minister Carlo Azeglio Ciampi to liberalise the economy and remove anachronistic mechanisms.

Mr Luigi Spaventa, budget minister, said the move to let the market determine prices had been taken because ministers felt there was adequate competition.

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## Prosecution

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**PUBLIC** prosecutors investigating spying and theft allegations against Volkswagen employees may now call witnesses for further questioning, following reports that data belonging to Adam Opel, the German subsidiary of General Motors, may have been punched into VW computers. The possibility arose yesterday.

The woman, allegedly a prostitute, had apparently said nothing about the origins of the child when questioned.

It is understood several witnesses from VW, under questioning, have said they could not remember - and could not rule out - whether materi-

there was no such material in the group's data banks. The meeting unanimously backed Mr López and said there was no evidence to warrant

ions of industrial espionage. Meanwhile, Opel yesterday threatened further legal action if VW did not disclose in precise detail the nature and extent of material destroyed in the fire of March 22 on instructions from the Spanish government. Lopez, VW last weekend admitted that the destroyed documents included papers, including possibly sensitive material, were stored at its company guesthouse in Wolfsburg and that the extent of circulation within VW.



## Japan SDP leader offers to resign

By Gordon Cramb in Tokyo

THE SOCIAL Democratic party, the biggest member of Japan's new seven-party ruling coalition, yesterday entered a potentially divisive period of soul-searching when Mr Sadao Yamahana offered to resign as leader.

Mr Yamahana, who will retain his job as minister in charge of political reform in the cabinet formed on Monday, called for an open ballot of party members. He said he would be a candidate but was submitting to a contest in the wake of the SDP's poor showing in the general election last month. Although that brought the party to power for the first time since the late 1940s, the SDP's parliamentary strength was almost halved.

In the year the coalition expects to be in power before holding fresh elections under a new system, the left-wing SDP, whose support it needs, is thought likely to be the main stumbling block in establishing policies apart from those on the political reform agenda. "I feel indebted to my comrades who failed to win Diet seats," Mr Yamahana told party officials in his resignation statement. However, no other contender for the job immediately emerged.

Mr Yamahana - from the moderate wing of the party, the most left-wing member of the coalition - became chairman only in January. Many SDP activists are uncomfortable at the alliance he has since formed with conservatives and centrists. He described his move as

aimed at rebuilding the party, but its executive committee yesterday on how to proceed, with some party bosses trying to persuade Mr Yamahana to change his mind.

Mr Yamahana and Mr Morihiro Hosokawa, prime minister and leader of the year-old Japan New party, have committed themselves to enacting political reform measures by the end of the year.

Coalition leaders yesterday made little progress towards agreement on the form of electoral system to replace the current multi-seat constituencies. As these have meant members of the same party competing, fundraising ability often wins out, fostering corruption.

The pursuit of alleged misdeeds from the old order continued yesterday with the indictment of Mr Fujio Takeuchi on charges of taking ¥55m (\$518,800) in bribes from Hazama, a construction company, while governor of Ibaraki prefecture north-east of Tokyo. The move by Tokyo prosecutors came a day after the prefectural assembly accepted his resignation.

Also charged was Mr Shigeru Honda, who stepped down as Hazama chairman after an indictment in a case involving the mayor of Sendai to the north.

Suspicion that Hazama paid to secure key contracts surfaced while prosecutors were investigating Mr Shin Kane-maru, the LDP power-broker who last month pleaded not guilty to evading taxes on funds raised from construction and other companies.



Nigerian police and soldiers patrolling the deserted streets of central Lagos yesterday after most businesses had been closed in the first of three days of protest

## Nigerian protest limited to south-west

By Paul Adams in Lagos

A STAY-AWAY called to demand the end of military rule in Nigeria brought Lagos to a halt yesterday, but failed to win backing outside the south-west of the country.

For the second time since President Ibrahim Babangida annulled the June 12 presidential poll, the country's commercial capital was forced to shut down.

But the organisers of a three-day campaign of protest won little or no backing outside the Yoruba-speaking south-west, stronghold of Mr Moshood

Ahola, the successful candidate in the June election.

Life continued as normal in the important northern cities of Kaduna, Kano and the capital, Abuja, according to residents.

Earlier protests in July crippled Lagos for three days, and around 100 people were killed when gangs took advantage of demonstrations to loot and troops were ordered in. Yesterday the streets of Lagos and Ibadan, the country's second largest city, were deserted and no violent incidents were reported.

The objective of the campaign is to

bring economic pressure on the government, which, say opposition officials, will find it difficult to control Nigeria if 23m Yorubas who dominate the economic heart of the country oppose it.

The Campaign for Democracy has denounced the proposed interim government and believes that the next government should be headed by Mr Ahola. Mr Olisa Agbakoba, spokesman for the Campaign for Democracy, said he was disappointed that the protest had received little backing in the north and east but said he hoped that links with the labour movement and with local leaders of the SDP who oppose

the interim government would make future action more effective. The Nigerian Labour Congress has said that it would consider concerted action if the military are still in power on August 27, although the 50,000-strong oil workers' union is threatening to strike unilaterally. Should they take such action, the government would then be under severe pressure, with oil exports accounting for over 90 per cent of export earnings.

● The US government has suspended direct air links with Nigeria, about five flights a week, because of long-standing security issues at Lagos airport. An estimated Won3,000bn (\$2.48bn) is held in false-name accounts. Those holding assets under false names will have two months to deposit them into real-name accounts, which would then be subject to taxation. Those failing to do so will be subject to tax investigations and penalties. Shares held under false or nominee names account for about 7 per cent of stock investor accounts. In an attempt to persuade these investors to keep their money in the bourse, Mr Kim promised not to impose a capital gains tax on stock investment during his term, which ends in 1997. The government will also call on institutional investors to buy shares if panic selling seizes the bourse. But some analysts predict that may not be necessary. "The initial market reaction may be negative, but that will likely subside quickly as investors begin to understand the positive aspects of the real-name system on the stock market and the economy," said Mr Edward Kim of Korea Development Securities. The full disclosure system is likely to promote more efficient capital allocation by allowing money trapped in the underground economy to flow into industrial investments. It could also curtail such malpractices as insider trading and stock price manipulation by big investors using false names. There is concern, however, that there could be an immediate squeeze on short-term funds as some institutional investors, such as securities houses, borrow money to buy stock under government direction. This would increase interest rates and harm small and medium businesses, in particular. The government has promised to provide financial aid to these companies. The government is also taking measures to prevent the flight of capital abroad or attempts to switch hidden assets from bank and stock accounts into property. This includes requiring those engaged in financial transactions to provide identification proving ownership of the assets. ● Workers at Hyundai Electrical Engineering yesterday voted to go back to work after a long-running pay dispute with management. The company said, Renter reports from Seoul.

## S Korea bans false-name dealings

By John Burton in Seoul

SOUTH KOREA'S President Kim Young-sam, in a surprise announcement last night, ordered immediate implementation of a key financial reform to reduce the large underground economy.

Mr Kim invoked emergency powers to introduce a real-name financial transaction system, which bans the use of false or borrowed names in financial dealings.

Although action could have an adverse short-term impact on the already weak Korean economy - by prompting a fall in the stock market through the sale of shares held under false names - many analysts welcomed the move.

"This signifies that the new government is committed to economic deregulation and financial liberalisation," said Mr Andrew Holland, head of research at BZW in Seoul.

Mr Kim described the real-name system as "the most important reform for the construction of a new Korea" because "it would stamp out corruption".

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## South African economy puts on 5.1% growth

By Philip Gawth in Johannesburg

SOUTH AFRICA'S economy grew by 5.1 per cent in the second quarter, according to GDP figures published by the central statistical service yesterday, suggesting that the country's four-year recession has ended.

The improvement compares with growth of 1.4 per cent in the first quarter. The news coincides with publication of fiscal data which suggest government finances are in reasonable shape. This follows speculation that the government would overshoot its deficit target.

Mr Derek Keys, finance minister, said the continued

growth in GDP vindicated his view that the cyclical turning point to the downturn - which started in March 1989 - had been reached at the beginning of the year.

Most of the growth is attributable to the agricultural sector, which is recovering from a devastating drought. Real agricultural production increased by 23.5 per cent in the second quarter following first-quarter growth of 53.9 per cent.

Mr Keys said other pleasing aspects of the figures were that secondary industries continued to grow; growth in GDP owed nothing to higher government spending; and mining production continued to rise at a rate of 2.5 per cent.

## Australian unemployment

AUSTRALIA'S unemployment rate slid to 10.7 per cent in July, bringing it back to the level of April and May. The Bureau of Statistics reported yesterday. But analysts said the drop in the seasonally-adjusted

rate from 11.1 per cent in June had more to do with people giving up the search for work than a surge in the number of new jobs.

Employment was unchanged at 7.74m after rising by a total of 84,000 in May and June.

## China closes down 1,000 local development zones

By Lynne O'Donnell in Beijing and Alexander Nicol in London

THE Chinese government, stepping up its drive to stop wasteful spending and curb the country's overheated growth rate, yesterday announced the closure of most economic development zones established by local governments to attract investment.

Xinhua, the official news agency, said 1,000 zones in southern coastal areas had been shut down, and the remaining 200 were being inspected with a view to further closures.

The measure will have no effect on special economic zones authorised by the central government to promote economic reform and growth, such as Shenzhen, just across the border from Hong Kong. The zones being closed were set up by local officials who were attracted by real estate profits and offered tax breaks and other unauthorised incentives to match the attractions

of authorised investment areas.

Mr Hu Ping, director of the Special Economic Zone Office, said the State Council, China's cabinet, had approved only 30 economic and technological development zones in the coastal areas.

He said only 10 per cent of the unauthorised zones had been beneficial for the local economy. One-fifth were waiting for money to start planned projects. They tied up scarce farmland, slowing agricultural production, he added. "The objective is to stop land which has little prospect of development in the near future from being cordoned off when it could be used for crop growing," Mr Hu said.

Profligate spending and corruption among local officials are particular targets of the campaign of Mr Zhu Rongji, vice premier and central bank governor, to curb money supply and inflationary growth. According to China Focus, a publication of the Princeton China Initiative in the US, Mr

Zhu recently criticised officials in Guangxi province, in south-west China, who had ploughed over and fenced off 15,000 square kilometres of farmland of which 1 per cent had so far been taken up by construction.

Calculating that developing the land would cost the entire national development budget for six years, Mr Zhu is reported to have asked them: "Just let me know where the money is coming from... What is the rest of the nation to do meanwhile?"

Xinhua yesterday said officials in Beijing city, Guangxi province, had approved dozens of questionable property schemes, including casinos.

● China's trade deficit was \$4.62bn in the first seven months of 1993, although trade officials are confident the current austerity measures will help achieve a surplus for 1993 by the year-end. Exports were up 4.7 per cent to \$44.78bn over the same period of last year, and imports up 25.7 per cent to \$49.4bn.

## Resignation threat rejected by PLO

By Julian Ozanne in Tunis

THE Palestine Liberation Organisation, seeking to defuse a week-long row over how to pursue peace talks with Israel, yesterday rejected the resignation threat by three Palestinian peace negotiators.

The move came after Palestinian officials attending talks in Tunis said the PLO had come under pressure from Arab governments, including Saudi Arabia, to resolve the issue quickly and not let the three negotiators, the more moderate members of the team, resign.

Mr Suleiman Najjah, a member of the PLO executive committee, which addressed the issue yesterday for the first time, said the liberation movement had turned down the resignation threat by Mrs Hanan Ashrawi, Mr Faisal Hussein and Mr Saeb Erekat. It was not immediately apparent whether the three had formally withdrawn their resignations. Mr Najjah also said the PLO

would convene further meetings to discuss the issues raised by the three negotiators, who are upset about lack of consultation and co-ordination between the PLO and the negotiating delegation.

Palestinian participants in the talks said Mr Yasser Arafat, PLO chairman, had successfully exploited the resignation threat by delaying a final decision. They said Mr Arafat's chief purpose was to force Israel to realise it must open direct dialogue with the PLO to make progress in peace talks.

Mr Arafat has scared Israeli politicians with the prospect of a Palestinian peace team stripped of its moderates and led by hardliners such as Mr Haidar Abdel-Shafi, the chief negotiator who boycotted the recent Middle East visit of Mr Warren Christopher, US secretary of state.

Although Mr Yitzhak Rabin, Israel's prime minister, continues to rule out direct talks with the PLO, several senior cabinet ministers have called for the ban to be reviewed.

## India's new airlines seek wider horizons

Shiraz Sidhva reports on a campaign for swifter liberalisation of the skies

FREQUENT flyers on Indian Airlines, India's state-owned domestic carrier, were pleasantly surprised last week when they took the evening flight from Delhi to Bombay. Suddenly, checking in was no longer a nightmare. Ground staff were efficient. Most important, the flight took off on time.

Passengers - all with their own Indian Airlines horror story to narrate - were astonished when a smiling flight attendant laid out a crisp tablecloth before serving a stylish Indian meal with bread and fruit.

"See what competition has achieved," said one passenger, Mr Ranthikumar Podar, a Bombay businessman and president of the Federation of Indian Chambers of Commerce and Industry. "There is a tremendous change in attitude and service. For the first time, it's a pleasure to fly Indian Airlines."

The introduction of the government's open skies policy two years ago has given domestic travellers a choice. Four private airlines - Jet Airways, East West Airlines, Damania Airways and Modiluft - operate on lucrative routes such as Bombay-Delhi and Bombay-Bangalore. Passengers may now walk into the main airports and buy a ticket an hour before a flight. Delays and overbooked flights may be things of the past.

For the first time, the 40-

## INDIA'S PRIVATE DOMESTIC AIRLINES

Jet Airways: Started by Jetair Private, a leading airline sales agent and travel agency, in May 1993, the airline operates a fleet of four Boeing 737-300s to 12 destinations, including four in south India. Linked with the SABRE worldwide reservations system, with inter-line co-ordination arrangements with 12 leading international airlines. Engineering back-up is provided by Australia's Ansett company. Initial investment was \$20m, with a projected turnover of Rs2.40bn in the first year. Four aircraft are to be added to its fleet by end-1993.

East West Airlines: India's first private airline, started in February 1992, with an initial investment of Rs1bn, and a turnover of Rs5bn. The airline flies eight Boeing 737s and three Fokker-27s to 25 destinations, and is

linked on to the Gabriel 2 global reservations system. Technical collaboration from Ireland's Aer Lingus. Staff of 3000.

Damania Airways: This Rs260m project started operations in March 1993, and has 16 flights a day to six destinations. A Beechcraft 99 used exclusively on the short-haul Bombay-Pune sector, and Boeing 737-200s dry-leased from Air Portugal, make up the fleet, which will expand to five aircraft in the current year, and 10 by the end of next year.

Modiluft: Modiluft is leasing two Boeing 737-200 aircraft from Lufthansa, the German carrier. It has used this familiar yellow and blue international colours that Lufthansa uses, with light-blue boarding passes, and even a slightly modified bird logo of the airline.

year-old state airline is facing competition in a market the new operators believe it has long taken for granted.

Passengers are attracted to the new airlines by punctuality as well as free alcohol and attentive service. Passengers flying Damania received individual thank-you letters from the managing director. A couple who complained about service on Modiluft were sent roses and a handwritten apology note.

However, despite the new airlines' efforts to make liberalisation work, the cards are stacked against them. The new airlines, which the government prefers to call private air taxi operators, face operational constraints as well as battles with a bureaucracy which, they say, tries to impede liberalisation.

"The government has granted us the permission to operate, but it is constantly safeguarding the interests of Indian Airlines at our expense," says the head of one airline. "The taxpayer is actually subsidising the inefficiencies of Indian Airlines, at a great cost to our economy and foreign exchange reserves."

Indian Airlines made a loss of Rs2.11bn (\$44.8m) last year. Last week, the four airlines formed the Air Taxi Operators' Committee to urge the government to speed passage of a parliamentary bill to repeal the Air Corporation Act 1963, which prevents the formal

legalisation of private carriers and grants protection to Indian Airlines as a departmental undertaking of central government. "The bill is now before

parliament. The committee's demands include a clear-cut aviation policy with guidelines for air taxi operators.

"We are still termed non-scheduled operators, though we operate to schedules. Not being able to advertise and publish schedules poses a major marketing problem, especially abroad," says Mr Nareish Goyal, owner of Jet Airways, which has inter-line agreements co-ordinating flights with international carriers including British Airways.

The committee has urged the director general of Civil Aviation to withdraw a directive that private operators should operate an equal number of flights on routes of less than 700km and on those of more than that distance. "We are not

charity organisations and this stipulation would mean that we would lose the flexibility of optimally deploying our limited resources," says one operator.

A further constraint is that private airlines are not allowed the best facilities at Bombay and Delhi airports. They share limited counter space in old, shabby terminals. New terminals are reserved for Indian Airlines' Airbus flights to leading cities. "The airports could benefit from rents if the unused counters and space at the new terminals were allotted to private operators," the committee said.

The committee has asked for a revision of airport and air traffic control timings, which are tailored to suit Indian Airlines' operations.

It has also requested adequate hangar space at airports. In the absence of any co-operation from Indian Airlines, private operators' aircraft have to go abroad to be serviced and even to have mandatory monthly checks. Spares and equipment have to be imported, which makes them more costly.

The private airlines' battle for equal treatment is likely to be a hard one. If the parliamentary bill is passed, Indian Airlines may be unable to continue flights on loss-making routes which would otherwise not be connected by air.

"Indian Airlines has a social commitment to the country

that the private operators don't need to worry about," says an Indian Airlines spokesman. "None of the private airlines can match our infrastructure, and if it hadn't been for subsidies, how could we offer the lowest fares in the world?"

However, the private operators say that India's domestic air traffic has been stifled by Indian Airlines, and could grow substantially. "During its best year, IA catered to a volume of 10m passengers, but aviation experts say that the total market size could increase to 25m passengers," according to Mr Goyal.

Mr Thakurdeen Wahid, managing director of East West Airlines, says: "East West has shown that with maximum utilisation, we can fly 8,000 passengers per day with 11 Boeing aircraft, compared with IA's 23,000 with a fleet of 53, including 24 Airbus A-320s and 11 Airbus A-300s."

Mr Parvez Damania, the 33-year old poultry farmer who started Damania Airways, says: "Indian Airlines and the airport authorities could provide us the engineering support, make their under-utilised infrastructure reap profits, and save considerable foreign exchange."

He says: "The attitude towards us is not right. We could work together with Indian Airlines to greatly expand the market. And Indian Airlines would be the first to benefit."

## Tajik-Afghan summit agreed

TAJIKISTAN and Afghanistan agreed yesterday their leaders would hold a summit meeting to resolve a conflict over their border but talks with Tajik rebels failed to free five hostages, Renter reports from Dushanbe. The commander of Russian troops guarding the border said talks to free four Russian and a Kazakh soldier, taken into Afghanistan on Tuesday, had so far failed.

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## NEWS: THE AMERICAS

# Wholesale prices in US down again

By Michael Proulx  
in Washington

US WHOLESALE prices fell for the second month running in July, indicating that the sluggish economic recovery is generating little or no upward pressure on inflation, the Labour Department reported yesterday.

A separate report showed that retail sales increased by a negligible 0.1 per cent between June and July, less than had been expected in financial markets and a warning signal that consumer confidence could depress economic growth in the third quarter.

The producer price index for finished goods fell 0.3 per cent last month after a 0.3 per cent drop in June. The annual rate of wholesale price inflation fell to 1.3 per cent.

The fall mainly reflected a sharp decline in energy prices, which fell 1 per cent between June and July, and a slight drop in food prices despite the flooding in the Midwest. Excluding food and energy, "core" producer prices rose 0.2 per cent after a drop of 0.1 per cent in June.

The latest figures strongly suggest that the surge in prices

recorded earlier this year - which prompted the Federal Reserve to threaten higher interest rates - was an aberration.

The recent sluggish growth of retail sales - the increase in June was revised down to 0.2 per cent from 0.4 per cent - mainly reflects a drop in car sales after an exceptionally good month in May. Excluding cars, sales rose 0.4 per cent last month after a 0.3 per cent gain in June.

Other data have been mixed. Employment figures for July published last week were encouraging, pointing to a solid gain in industrial production.

But the first estimate of growth in the second quarter - an annual rate of only 1.6 per cent - was worse than most analysts expected.

Most forecasters continue to predict a rebound in growth in the second half to an annual rate of 2.5-3 per cent.

Any such growth, however, will depend on whether the signing of President Bill Clinton's budget this week, by ending a long period of uncertainty about tax rates, will revive flagging business and consumer confidence.

# Baker to testify in Iraqi loans trial

By Alan Friedman in New York

MR JAMES BAKER, the former US secretary of state, yesterday became the latest former Bush administration official to receive a subpoena to testify in the forthcoming Iraqi loans trial, set to begin in Atlanta next month.

A subpoena was issued to Mr Baker and seven other state department officials by lawyers for Mr Christopher Drogoul, the former manager of the Atlanta branch of Italy's Banca Nazionale del Lavoro.

Mr Drogoul is accused of making more than \$800 million in improper loans that helped finance Iraq's war machine.

Mr Drogoul, who was allowed to change his plea from guilty to innocent last year after it emerged that the CIA had withheld vital documents from a federal judge in Atlanta, has claimed that the Iraqi loans were part of a covert policy approved by the Reagan and Bush administrations.

Those subpoenaed yesterday include Mr Lawrence Eagleburger, the former acting secretary of state; former US ambassadors to Baghdad Ms April Glaspie and Mr David Newton; Mr Abraham Sofaer, the former state department legal adviser; and Mr Richard Murphy, the former assistant secretary of state.

Mr Robert Simels, lawyer for Mr Drogoul, said Mr Baker and others would be asked "to further corroborate

# Clinton opens new front with forces

## George Graham on a military leader more in step with president

PRESIDENT Bill Clinton's relations with the US military establishment started out on the wrong foot, with controversy over his avoidance of service in Vietnam. They went rapidly downhill when he became embroiled in the passionately argued debate over whether homosexuals should be allowed to serve in the armed forces.

But with the nomination of General John Shalikashvili, Nato's Supreme Allied Commander in Europe, next chairman of the joint chiefs of staff, Mr Clinton has the opportunity to start afresh in a relationship that poses far more substantial problems, in a period when the armed forces face simultaneously a large reduction in their size and a sweeping change in their missions.

The present incumbent, Gen Colin Powell, has turned the joint chiefs chairmanship, the top post for a US military officer, into such a high profile position that it is widely assumed he will step quickly into the political arena, possibly as a candidate for president, or at least for New York governor. However, no one seems absolutely sure which party he votes for.

Gen Shalikashvili was born in Poland, so he is constitutionally barred from moving on to the presidency. But he has already made it clear that he sees a limit to the responsibilities of his office.

"I have just been nominated for the position of chairman, not president of the United States," he remarked this week, laughing off a question on whether Russia and Ukraine should be brought into Nato.

Now 57, Gen Shalikashvili fled Poland at the age of eight and came to the US at 16, settling in Florida, the archetypal midwestern town. He learnt English from watching John Wayne films, but has not wholly lost his Polish accent.



General John Shalikashvili with President Clinton yesterday

Although he comes from a military family - his father was a Georgian army officer and his grandfather a general under the Tsars - he was drafted into the US army, before taking a commission as an artillery officer.

He served in Vietnam, and took command of Operation Provide Comfort, the humanitarian operation in Kurdistan that some have seen as a prototype for new military missions after the end of the cold war.

The first indications are that Gen Shalikashvili will be far more amenable to some of Mr Clinton's suggestions than Gen Powell has been.

Firmly committed to the "Base Force" plan prepared under President George Bush, Gen Powell has appeared to resist the new administration's efforts to cut the defence budget more quickly.

He has also been downright obstructive to the president's desire to allow military service by gays - forcing Mr Clinton to accept a compromise that falls far short of his earlier commitments - and is understood to have been a voice of caution against military engagement in Bosnia.

Gen Shalikashvili says he finds the new policy on homosexuals quite acceptable. On Bosnia, however, he seems likely to bring a different point of view.

He has criticised the US for failing to take the lead at an earlier stage in the crisis in former Yugoslavia, and has shown himself to be much less worried than some other military leaders about the prospect that US military involvement in Bosnia could lead the country into a Vietnam-style quagmire.

"We are not fighting a first war, fully combat-capable with like we have been preparing for for I don't know how many years. Never underestimate the news and the business you get into, but I think we have had too much over-estimating," he said recently.

This week, Gen Shalikashvili said he hoped it would not prove necessary to say "yes" to Bosnia, but warned the Serbs not to underestimate US readiness to bomb them should the stage of Sarajevo not be improved.

From his Soviet experience, however, Gen Shalikashvili is unlikely to accede to calls for any acceleration in the reduction in US forces. He has voiced concern about the impact on morale.

# Brazil ends curbs on gold market

By Christina Lamb  
in Rio de Janeiro

BRAZIL has allowed the first official gold exports by a private institution in what appears to be a step towards opening up its foreign exchange system.

Although Brazilian financial institutions have been permitted to trade in gold since 1989, only the central bank was able to sell overseas. On Monday new legislation came into force

completely freeing the gold market and allowing private entities to export gold for the first time.

The first Brazilian company to take advantage of the change was Banco Citim, a merchant bank and the country's largest buyer and refiner of gold from garimpeiros, or wildcat miners.

The business community hopes the next step will be to allow the free movement of dollars.

# Venezuelan president wins special powers

By Joseph Mann in Caracas

THE Venezuelan congress has granted President Ramon J. Velasquez special powers until the end of this year to introduce a series of economic measures by decree.

The Velasquez government, a transition administration scheduled to leave office next February, asked the congress for these special powers to address a series of problems,

including the growing fiscal deficit.

The special powers bill, covering areas normally reserved for the national legislature, will allow the president to introduce:

- A sales tax and a tax on the assets of private companies;
- Reform of the financial system, including opening up the banking system to foreign investment;
- Initiatives to help farmers;

Reforms of tax legislation aimed at raising revenues and applying corporate taxes to private investors in the oil and gas sectors;

A change in the law for the privatisation of state-owned airline Aeropostal.

In other legislative action, a joint session of congress also approved a long-awaited privatisation law reform, aimed at speeding the process.

President Velasquez, who

took office on June 5, has said that his interim government cannot solve the nation's problems during its short tenure; power, but that it will pass the way for a new president, scheduled to be elected in early December.

The current administration will receive relatively little revenue from the new sales and asset taxes, but they should provide the next government with a stronger fiscal base.

The administration is facing a combination of economic problems. Revenues from oil exports, which provide the government with most of its income, have fallen because of weak international oil prices; the central government is projecting a fiscal gap of around \$2.7bn (US\$1.7bn) for 1993. Inflation stands at around 36 per cent a year, and economic growth has dropped sharply from last year's 5.3 per cent.

## NEWS: WORLD TRADE

# 'Temporary stalemate' in negotiations on pact's labour and environment side-deals



Campbell: "not satisfied".

# Canadians dig in on Nafta sanctions

By Bernard Simon in Toronto

CANADA'S business community yesterday threw its support behind the Ottawa government's refusal to include trade sanctions in the side-deals on labour and the environment being negotiated as part of the North American free trade agreement.

Disagreement between the US and Mexico on one hand, and Canada on the other, over the enforcement of labour and environmental standards has thrown a wrench into the protracted negotiations on the side-deals.

Officials had hoped that the three countries' trade ministers would meet in Ottawa today to finalise them. But a Canadian government official

said yesterday that talks had reached "temporary stalemate". He said that Ms Kim Campbell, prime minister, "was not satisfied that everything had been done to come up with the best deal."

Ms Campbell is expected to discuss the sanctions issue by phone in the next few days with President Bill Clinton and Mexico's President Carlos Salinas de Gortari. Conclusion of the negotiations is seen largely as a matter of political will.

The Clinton administration has promised to conclude the two side-deals before submitting Nafta to Congress for ratification. It has also insisted that trade remedies, such as the reintroduction of customs duties, be included as a penalty against violators of environ-

mental and labour standards.

The US and Mexico are understood to have agreed on a dispute-settlement formula which would include various types of sanctions, but with trade remedies as a last resort.

Mr Thomas D'Aquino, president of the Business Council on National Issues, which represents the chief executives of Canada's 150 biggest companies, said yesterday: "We very strongly applaud the position which the federal government has taken."

Damian Fraser adds from Mexico City: While Mexico may have already agreed to accept trade sanctions for non-compliance with environmental laws as part of the side-deals, it has firmly rejected apparent US and Canadian

pressure for the right to be able to sue Mexico in Mexican courts.

Sanctions would only occur in the last resort, and would involve tariffs on certain goods returning to their pre-Nafta level, according to a report in El Financiero newspaper.

A Mexican official said that "there are very few points" that divide the three countries, but it was "not over until it's over". He suggested the main problem was a lack of political will in Canada to reach an agreement, given the concern with its forthcoming general election.

The official confirmed the veracity of a cable obtained by Reuters and sent out on Wednesday which suggested

that Mexico would break off side negotiations on Nafta if the US and Canada demanded the right to sue Mexico in its own courts, presumably for not enforcing its environment and labour laws.

The cable was sent to Mexican negotiators in Washington from the Trade Ministry. It said that "the pretension of the US and Canada to include the possibility of suing Mexico in its own courts attacks the concept of sovereignty and is as such inadmissible. It is in fact a breaking point."

Suing the Mexican government in Mexico would almost certainly be futile, since the courts would be highly unlikely to rule against their own government in favour of the US even if able to.

# Singapore in plan for new town

KEPPEL, the Singapore government-controlled conglomerate, is to head a consortium of Singapore companies developing an industrial township in Suzhou, near Shanghai in China, writes Kieran Cooke in Kuala Lumpur.

The proposed township - described as Singapore II by the Singapore press - will be developed using Singapore's integrated planning approach as a model. The aim is to attract \$200m of investment in the town, which will eventually have a population of more than 600,000.

The consortium, which includes many of Singapore's most prominent semi-state and private companies, will have a 65 per cent stake in the joint venture company developing the new township, while the Suzhou authorities will hold the remainder.

## Correction

## New Athens airport

In the Financial Times of August 4, a contract for a new airport near Athens was recorded as being at Sparta. It should have read Spata.

# East Asia at odds on road to growth

Regional conference points up the problems of co-operation, writes William Keeling

OPTIMISM that east Asia will lead world economic growth tables into the next century was palpable at the "Indonesia, Asia Pacific and the New World Order" conference in Bali this week. As Mrs Carla Hills, former US trade representative, said, the region has the potential "to trigger an economic renaissance worldwide".

There was less unanimity, however, about how the region should co-operate to maximise future growth.

While Chinese delegates pleaded otherwise, most east Asian nations regard Beijing as a trading competitor, not an ally. Japanese delegates found themselves isolated by demands that Tokyo improve market access for foreign goods and companies. There was no accord on arguably the most critical issue: whether east Asia should proceed alone or forge an Asia-Pacific axis with the economies of North America.

The conference, which brought together leading Asian politicians, academics and businessmen, highlighted the recent economic liberalisation and growth of China, a process which "is not reversible", according to Prof Edward Chen, a member of Hong Kong's executive council. China is not unique in east

Asia, with other developing countries such as Thailand and Malaysia preparing to join South Korea and Taiwan among the ranks of newly industrialised nations.

Political analysts, however, sounded a note of caution. Prof Robert Scalapino, a leading Asia academic, warned of the "awesome problem" of China's swelling urban population. "Higher education has fallen into a terrible state," he said, and "the speculative boom in property and stocks has dangerously depleted bank resources."

In Indonesia, the world's fourth most populous country, "social dislocation will be the major political issue," said Prof Juvono Sudarsono of the University of Indonesia. "Strikes, human rights issues and land issues will tax the ingenuity of the political leadership."

Sustained economic growth, most delegates argued, would allow countries to meet their domestic political challenges. They were less confident that nations could meet the challenge of economic co-operation. Chinese delegates called for the development of regional trade associations, but speak-

ers highlighted east Asia's poor record in the field.

The most prominent organisation is the six-member Association of South East Asian Nations (Asean). But, as Mr Anwar Ibrahim, Malaysian

Should east Asia proceed alone or forge an axis with N America?

finance minister, noted: "Asean, despite... booming individual economies, has yet to achieve something substantial in economic collaboration. 'Should any country venture to dominate others the (Asean) grouping would collapse immediately,' he warned.

Delegates said the same concern would preclude the effective development of wider regional groupings, such as the East Asian Economic Caucus, backed by Malaysia, or the Asia Pacific Economic Community (Apec), which groups east

Asian nations with the US, Canada, Australia and New Zealand.

Although the region is without serious conflict, Prof Paul Evans, director of the Joint Centre for Asia Pacific Studies in Canada, stressed that security relations between nations remained a "significant nightmare".

Delegates pointed to the continuing tensions in China-Taiwan relations, Korean unification and contested sovereignty of the Spratly Isles in the South China Sea as underlining the importance of continuing US military presence in the region. A military role gave muscle to Washington in its promotion of the wider Apec forum to facilitate US economic involvement in east Asia.

President Bill Clinton has invited Apec leaders to an informal meeting in Seattle in November to discuss Asia Pacific issues, but east Asian countries remain sceptical about US intentions. Malaysia has said that its prime minister will not attend, and as Prof Scalapino commented: "The Chinese leadership cannot avoid the belief that the US

is deeply subversive."

Many delegates believed the US would use Apec to put pressure on Japan to improve market access in the name of economic co-operation. Through its trade surplus, "Japan exports its unemployment to the rest of the world," said Prof Fred Bergsten, director of the Institute for International Economics in the US.

Asian delegates accused the US of interfering in their countries' internal affairs by linking trade concessions with labour conditions and human rights. But while most delegates were united in anti-US sentiment they agreed with Washington that Japan was too protectionist. Any opening up of Japan's economy would benefit east Asian nations for which it remains the main export market.

The likely outcome for the Asia Pacific, delegates said, was the formation of several economic associations, none of which would have any great power.

Few delegates challenged the assertion of Mr Gareth Evans, Australian foreign minister, that east Asian nations had a "steady convergence of aspirations and a growing sense of community". They also agreed the pace of change toward economic co-operation would be slow.

## NEWS IN BRIEF

# Romaero to make parts for Boeing

ROMAERO, a state-owned Romanian group, has signed a letter of intent with Boeing, the US aircraft manufacturer, to produce parts for both the Boeing 737 and the new 777 model, a 600-seater, twin-jet aircraft, Romaero said yesterday, Virginia Marsh writes from Bucharest.

Romaero said the two companies were still discussing what would be produced in Romania but they hoped to conclude a \$12m (US\$8m) contract for manufacturing parts up to sub-assembly shortly.

Romaero also said it hoped to continue talks with British Aerospace over the modernisation of the BAC 1-11 jet next month. The company has produced BAC 1-11s under licence since 1962 but the agreement was frozen last month by BAE due to non-payment of some \$10m in technical assistance and licensing fees from the Romanians.

Romaero said it was trying to raise financing from US banks on the basis that it had an order worth \$250m for 11 upgraded BAC 1-11s from Kivi International, a new US airline.

# Skanska in Colombian contract

Skanska, Scandinavia's largest construction group, has finally secured a \$240m contract to build a hydroelectric power plant in Colombia, nine years after first signing a contract for the work. Christopher Brown-Humes reports from Stockholm.

A group of banks in the Nordic countries, Canada, Venezuela and Colombia are putting up the financing for the project, which has mainly been hampered by financing difficulties. Skanska's share of the project is 50 per cent.

The plant, which will have an installed capacity of 340MW and annual production of 1,420 GWh, is to be built in Cordoba province near the Caribbean in northern Colombia. Construction work is scheduled to start in September and take six years.

Skanska will be working alongside the Colombian contracting company Conciencia on the civil works and will be assisted with services and purchasing by the Fundación Company of Canada.

# Racal-Datcom in Asian moves

Racal-Datcom, the voice and data communications arm of the UK's Racal Electronics, has signed an agreement with Singapore Telecom which it believes could be worth up to \$510m (US\$310m) over the next three years, Andrew Adams writes from London.

Under the agreement, Singapore Telecom's commercial arm will distribute Racal-Datcom's digital, analogue and network management products, and build networks for its customers based on them.

Racal-Datcom also yesterday opened an office in China, underlining its determination to advance in Asia-Pacific. The region has the world's fastest growing telecommunications market and Singapore has one of its most advanced networks.

The Singapore deal is modelled on a similar alliance with British Telecom, estimated to be worth \$40m over three years. Racal-Datcom has other alliances with US carriers MCI, Bell South and WorldCom.

# Togo offers to buy Sicilian plant

The government of Togo, a leading phosphates producer, has offered to buy into a big fertiliser complex at Gela in Sicily, Italy, for the past year, says Simonetta reports from Milan.

The Gela complex includes ISAF, which produces sulphuric acid and phosphoric acid, as well as other materials for fertilisers, and fertiliser processing plants. ISAF is controlled by Italy's state-owned Enichem chemicals group, while the Sicilian regional government has a 25 per cent stake.

No details of the proposed transaction, unveiled by the representative for industry in the Sicilian regional government, have been revealed. The proposed purchaser is the Office Togolais des Phosphates, the Togolese state phosphates producer.



# Manufacturing production down 2.1% • Jobless total rises • Pound slips to DM2.51

## Falling output raises doubts on economy

By Emma Tucker and Stephanie Flanders

DOUBTS ABOUT the strength of the UK economic recovery increased yesterday with the news that manufacturing output fell steeply in June, while unemployment crept marginally higher last month.

The figures, which are unlikely to represent a reversal in the UK's economic fortunes, nonetheless highlighted the patchy nature of the recovery.

Manufacturing output in June fell a seasonally adjusted 2.1 per cent compared with the previous month. The drop

more than offset a 1.8 per cent rise in May and took output back to roughly the same level as in February.

Other official figures showed that the number of people out of work and claiming benefit rose a seasonally adjusted 200 last month, following a revised fall of 4,900 in June. The increase, the first since January, took the unemployment total to 2.51m, a rate of 10.4 per cent. Unadjusted, unemployment rose by 64,000 to 2.52m.

Average earnings growth slowed again, underlining the weakness of employee wage negotiators, in spite of recent

falls in unemployment. Earnings rose an underlying 3½ per cent in the year to June from 3½ per cent in May, pushed lower by the 1.5 per cent ceiling on public sector pay settlements.

The pound slipped back on the worst than expected economic news to close 1½ pence down on the day at DM2.5175. Although share price gains were modest, the FTSE 100 index reached a new record close of 3,008.1, up 3 points on the day.

The Central Statistical Office said the fall in manufacturing output, the sharpest monthly

drop since February 1988, was largely a correction from May's figures inflated by the late bank holiday. The drop was widely spread across industry, although it was slightly sharper for metals and mineral production.

In the three months to June, manufacturing output rose by 1.4 per cent compared with the previous three month period, but the bigger than expected downturn in June will add to speculation that the recovery may be slowing.

Most of the quarterly growth came from higher output of investment goods. Production

in this sector rose by 2.4 per cent compared with the three months to March.

In the consumer goods sector, output rose 0.7 per cent in the latest three months, with car production the only buoyant category, rising 10.2 per cent quarter-on-quarter.

According to the CSO's figures, manufacturing output in the three months to June was 3.1 per cent higher than the same period a year ago.

quarter compared to the first three months of the year.

Air David Hunt, the employment secretary, was optimistic about the latest jobs figures pointing to "encouraging signs".

"Although headline unemployment always rises in July as 600,000 school and college leavers start to flood on to the labour market, today's increase of 200 in the seasonally adjusted figure is in marked contrast with this time last year when the figure rose by 36,000," he said.

London shares, Page 25

### Britain in brief



### Loan group to end tie with insurer

Cheltenham & Gloucester building society, the UK's sixth largest home loan and savings institution, is to cease sales of life assurance once its five-year exclusive distribution agreement with Legal & General insurance company ends in November. It says it will concentrate on the sale of interest-only and repayment mortgages.

There has been increasing criticism of the sale of endowment policies, long-term savings plans sold by insurance companies and intended to pay off the mortgage on maturity, because of their high charges and uncertain final returns.

C&G decided to stop urging its customers to take endowment mortgages in 1990. Mr Andrew Longhurst, chief executive of C&G, said the building society would prefer to let borrowers choose their own method of repayment. Mr Longhurst said, C&G's low cost base means it does not need the extra income from the sale of insurance products to remain profitable.

### New material for condoms

London International Group, the world leader in branded condoms, has developed a polyurethane material, trademarked Duron.

LIG said that, as Duron is twice as strong as latex - the usual material for condoms - it can be made much thinner, giving greater sensitivity. In laboratory tests, Duron proved an effective barrier to viruses much smaller than HIV, the AIDS virus.

The new condoms will be test marketed in the US next year and in other countries depending on regulatory approvals. The material has already won US Food and Drug Administration clearance and key parts of the manufacturing process have been patented.

### Belfast Airport to be sold off

Belfast International Airport is to be sold to the private sector. Mr Robert Atkins, the Northern Ireland economy minister, said he would invite bids and indicated he would like to see a sale to local inter-

ests or a management buy-out. Accountant Touche Ross is handling the privatisation and expects the process to be completed by the middle of next year.

### Truck tonnage falls sharply

The number of trucks above 3.5 tonnes gross vehicle weight operating in the UK fell by nearly 3.5 per cent last year to 415,000 under the impact of recession.

Truck sales have been more than halved since the peak reached in 1989, and the stock of trucks has dropped by 13.2 per cent from 478,000 in 1989. The total stock of trucks currently licensed in the UK is at its lowest level for 10 years according to a report published yesterday by the Department of Transport.

### Flooding threat to London tube

Part of London's underground railway is threatened by flooding because the water table is rising by 2.5 metres a year at Trafalgar Square. London Underground, which runs the system, said it needed £18m for "urgent remedial work" this year, but had only received £9m. Already, 3m gallons of water are pumped out of tunnels and stations daily.

It said some of its drains were built in the 1860s and needed upgrading, while almost half the network's 635 pumps need to be replaced. The Underground lines affected include the Central, Northern and Piccadilly.

### Oftel to meet telecom rivals

Oftel, the telecoms regulator, has invited British Telecommunications and its competitors to a meeting in early October to discuss future arrangements for interconnection by competitors to the public telecommunications network.

The day-long private seminar, an unusual departure for a regulator, is to give BT the chance to spell out its proposals for standard published interconnection tariffs and to give competitors an opportunity to respond, before Oftel determines the future framework for interconnection.

### Health warning issued on eels

The Department of Health has issued a warning after pesticide traces were found in eels. Officials said it was "prudent to limit consumption" of eels caught in the Humber, Yorkshire, Thames, Itchen and Test in Hampshire, Severn and Trent.

### Scientists divided on destroying smallpox

By Clive Cookson, Science Editor

AN EMOTIONAL debate at an international Congress on Virology in Glasgow this week produced no consensus on whether to destroy the last known stocks of smallpox, kept deep-frozen in two laboratories in the US and Russia.

A clear-cut verdict by the 1,000 microbiologists would have given a strong lead to the World Health Assembly, which is expected to decide the fate of the virus at the United Nations next year. But no vote was taken at the end of the evenly balanced debate in Glasgow.

A worldwide vaccination campaign eradicated smallpox in the wild. The last naturally transmitted case was in Somalia in 1977, though the final smallpox victim was Mrs Janet Parker, a medical photographer who died in 1978 after some virus escaped at Birmingham University.

After that accident, the world's microbiologists agreed to store remaining virus samples in high-security laboratories in Atlanta and Moscow. Dr Ken Berns of Yale University, who chaired the debate, said the destructionists relied mainly on political arguments while their opponents emphasised the scientific benefits of keeping the virus alive.

The preservationists argue that further research, using new genetic techniques, could shed light not only on why smallpox was so dangerous but on why some viruses are more virulent than others.

● The Atlanta and Moscow stocks might not be the only remaining smallpox in existence. The virus could conceivably survive in bodies buried decades ago in the Siberian permafrost. Or there could still be samples in other laboratories, concealed or just forgotten - ampoules of smallpox virus were discovered in 1965 in an old refrigerator at the London School of Hygiene and Tropical Medicine.

● Even if smallpox is extinct, a similar disease might occur if a related animal virus such as monkey pox mutated into a form that infected humans. The original virus would be a useful reference for fighting the new disease.

The fate of smallpox could set a precedent for other disease agents. The World Health Organisation is campaigning to eradicate polio by the year 2000.

### British Coal aims to close 15 pits in eight months

By Michael Smith

BRITISH COAL, the state-run corporation, wants to close up to half its 90 working pits within eight months following an investigation which suggested only about a dozen pits have a long-term future.

British Coal's latest prognosis is worse than anything it has so far acknowledged. It means a significantly larger contraction of the industry than the government admitted was in prospect last October when public anger forced a retreat on widespread pit closures.

In considering whether to sanction 15 closures in the current financial year, as British Coal would prefer, ministers will be wary of stirring controversy at a time when they need maximum support from Conservative MPs for the planned coal privatisation.

The Department of Trade and Industry is thought to have accepted the economic case for the 15 closures. Hesitation in implementing them stems from concern about the political consequences.

Ministers and British Coal are, however, acutely aware that delay will store up problems for the 12 or so core pits that are likely to comprise the company when it is privatised.

British Coal's stockpiles, already above 15m tonnes, are growing at up to 1m tonnes a month. The higher they rise, the greater the likelihood that private sector operators will add to the closure list in future years.

Mr Gerard McCloskey, disclosing British Coal's thinking in his Financial Times International Coal Report weekly fac-

simila to subscribers, says not even 12 pits will survive in the long term if new private sector mine owners opt to meet contracts from existing stocks.

Pressure is building for a closure announcement as early as next month. But the simultaneous closure of 15 pits is unlikely, following the reaction to last October's announcement.

More likely, British Coal will announce fewer than half a dozen closures at first. More would follow piecemeal throughout the remainder of the financial year.

It is likely that demoralised miners at some pits would volunteer for closure rather than risk missing out on an enhanced redundancy scheme, which is only guaranteed until December. This has already happened at Rufford, in Nottinghamshire, and Markham, in Derbyshire.

British Coal's problems stem from the policy document on coal in March which revealed 12 pits earmarked for closure in October 1992 but did little to find a market for their coal.

Since then the electricity generators, which are British Coal's main customers, have shown reluctance to buy coal in excess of existing contracts. Moreover, sales to generators under these contracts will fall from 40m tonnes this year to 30m in 1994-95, making closures among the previous core of 19 pits inevitable.

The government is committed to offer to the private sector any pits no longer wanted by British Coal in the run-up to privatisation. Companies will be offered subsidies for any coal they can sell to the generators before privatisation.



The reformation: St Andrew Undershaft, a 12th century church devastated by an IRA explosion in the City of London 18 months ago, is due to reopen shortly following painstaking repairs. The stained glass, shattered by the blast, is now being replaced (above). Because few photo-

graphs of the windows existed, the area was swept for traces of glass depicting the original design. Since then, craftsmen have spent months redesigning missing elements. Installation will take up to three weeks as the workmen replace each panel individually.

### Fishing curbs branded 'draconian'

By Allison Maitland

GOVERNMENT plans to restrict the number of days Britain's fishing fleet can spend at sea are "draconian" and should be abandoned, according to a cross-party committee of MPs.

The measures "amount to little more than decommisioning on the cheap," the Commons agriculture committee says today in a report on fishing conservation measures. "They carry the risk that the UK fleet will suffer a catastrophic financial implosion."

The government is introducing the measures as part of its effort to cut fleet capacity by 19 per cent by 1996, under an EC agreement to conserve over-exploited fish stocks.

It intends that the days-at-sea limits should achieve a capacity reduction of up to 84 per cent. The rest of the cuts would be obtained through a 225m programme of decommissioning and licensing controls on all fishing vessels.

The days-at-sea restrictions, to be introduced next January, affect all vessels more than 10 metres long.

Instead of the days-at-sea policy, the committee proposes each fishing boat be allocated an individual quota for the particular types of fish it catches. Fishermen would initially have to buy "individual transferable quotas," possibly by government auction. "The government could then intervene in the market by buying quotas to reduce fishing effort," says the committee. "Alternatively, as occurs in other quota systems, a percentage of each quota could be shaved off to reduce fishing effort."

The report also criticises the EC Common Fisheries Policy which, it says, is undermined by the discrepancy between member states on enforcement of conservation rules.

The UK, for example, has 152 inspectors compared with only 12 for Spain, according to Commission estimates.

The report adds that overseas fishermen often complain "that they are subjected to over-zealous supervision when fishing in UK waters."

In spite of Spanish moves to increase the number of inspectors and tackle infringements, the committee says it attaches credence "to most, if not perhaps all, of the evidence we received about malpractice on the part of a number of Spanish vessels."

The MPs admit fishermen are likely to oppose such a scheme.

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### Speeding Rover overcomes stalled start

As of today, British Aerospace (BAe) is free to sell Rover Group, the BL cars and Land Rover business it bought for £150m five years ago.

There has been much speculation that BAe would seek to unload Rover for a tidy profit - current estimates of its value range around £500m - the moment the government's privatisation terms made it possible.

But there is no queue of would-be buyers lined up. And with Rover on the verge of returning to trading profit, and currently alone among European car makers in increasing sales in EC markets, there is no sign that BAe is even getting ready to sell it.

Volkswagen/Audi, whose dash for European market supremacy through acquisition once made it the favourite bidder for Rover, is too financially troubled.

Ford almost certainly would have felt constrained to prevent a VW takeover. But, making heavy losses of its own, it too has no cash.

From both points of view, "the best result is that Rover remains the industrial equivalent of Belgium", observes Prof

### John Griffiths examines the prospects for one of the few European car producers to defy market trends

Garel Rhys of Cardiff Business School's motor industry research centre.

Few other large carmakers are looking at Rover with interest. Even Honda, with which Rover has a 20 per cent shareholding, claims no desire for control, although it may consider an increased holding.

One reason is the current depressed European motor industry. West European sales are down 17.7 per cent so far this year. But even if the climate were better, Ford's hard struggle to make viable its £1.6bn purchase of Jaguar and General Motors' similar struggles with Saab have made the industry wary of acquisitions.

The fundamental question now is whether the UK's emergence from its steepest post-war car sales slump and the strong progress Rover is making in continental Europe and North America, really are combining to provide it with a viable long-term future.

As Prof Rhys and other industry analysts point out,

Rover has had an embarrassing number of "false dawns" in which supposedly attractive new model programmes failed to live up to their promise.

Rover has only recently begun reversing its long UK market share decline, from more than 40 per cent in the 1960s to 13.14 per cent by the early 1990s.

The smaller Rover 200/400 car range has re-established Rover as a serious competitor. Following a £200m investment to transform production facilities at Cowley, the Rover 800 has become a market leader in the UK executive car sector.

Production of Discovery and Range Rover models cannot keep pace with demand, and Rover expects to quadruple sales of these vehicles, to 16,000 annually, in the US over the next couple of years.

Cowley, the company's central England plant, reflects the new flexibility of the group. Its workforce is building ageing Mondeo and Maestro models while demand persists.

A few yards away, the MG

RVS sports car, one of a number of niche vehicles marketed by Rover's new Special Projects Division, is being virtually hand assembled.

Large productivity improvements - a claimed 18 per cent at Cowley so far this year - and the introduction of "lean" distribution which has taken thousands of cars out of the supply pipeline are also driving down costs.

Mr John Towers, Rover's managing director, says the company is now close to its target of financial break-even at 400,000 cars a year.

The trouble is last year's production was only 405,000, and output is down marginally again this year.

That analysts expect Rover to achieve a trading profit of £30-50m this year is thus largely the result of Rover's rigorous cost-cutting. But with current debts of around £400m Rover would still be making a net loss.

Next year, recovery should lift profits to £20m-£100m and Rover should move closer to its

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- Largest producer of ladies swimwear in the U.K. accounting for 18% of the market.
- Customers include major department stores, high street multiples and independent retailers.
- Brand name 'Slit'.
- Freehold property on the North Circular Road, London.
- Manufactures own knitted material.
- Skilled workforce of 170.
- Audited annual turnover for the year to November 1992 £5.2 million, forecast for the year to November 1993 £5.2 million.

For further information please contact the Joint Administrative Receivers, Eric Bell, BDO Binder Hamlyn, 28 Old Bailey, London EC4A 3BU.  
Tel: 071 489 6193 Fax: 071 489 6295

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The Branded Shirt Company Ltd.

(Both in Administrative Receivership)  
London and Northern Ireland

Manufactures and imports shirts for workwear and branded sectors. Principal features include:

- One of the four largest suppliers of men's shirts to the U.K. market.
- U.K. customers include major retailers for branded products and major employers for workwear.
- Brand names include, 'Ben Sherman', 'Tern', 'Pierre Balmain', 'Enigo Jones' and 'Fanchise'.
- Freehold properties in Lurgan and Londonderry.
- Skilled workforce of 300.
- Audited annual turnover for the year to November 1992 £18.5 million, forecast for the year to November 1993 £22.5 million.

For further information please contact the Joint Administrative Receivers, Eric Bell, BDO Binder Hamlyn, 12 Malbone Road, Bedford W9 5BP Northern Ireland.  
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## BUSINESSES FOR SALE



Halpern Woolf & Partners

By Order of the Administrative Receiver  
D. Nisbet Eng. Rec., M.F.P.A., M.S.P.I.

Re: HOPE LIMITED

CONSULTANT DRAINAGE AND WASTE ENGINEERING COMPANY  
FOR SALE ON A GOING CONCERN BASIS

Contact:

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Auctioneers & Valuers  
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TEL: 071-297 3765 FAX: 071-734 4166

LEGAL  
NOTICES

In the matter of  
**SOPUR LIMITED**  
(Prev. South Publications (UK) Ltd)

In the matter of  
**THE INSOLVENCY ACT 1986**

Notice is hereby given, pursuant to Section 105 of the Insolvency Act 1986, that a general meeting of the members of the above-named company will be held at 20 Farringdon Street, London EC4A 4DF on 17 September 1993 at 10.30 am and will be followed by a meeting of creditors at 11.00 am for the purposes of receiving an account of the affairs and dealings of the Liquidator and of the conduct of the winding up to date.

Proxy forms if applicable, must be lodged at P.O. Box 730, 20 Farringdon Street, London EC4A 4DF not later than 12 noon on 16 September 1993.

Dated 10 August, 1993

Signed  
A J McMahon

Liquidator

In the High Court of Justice  
County of London

No. 865796 of 1993

IN THE MATTER OF  
S W WOOD GROUP PLC

IN THE MATTER OF  
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of the Court of Liquidation, County of London, dated 29th July 1993, confirming the constitution of the Liquidator in the matter of the above-named company, was made by the Registrar of Companies on the 29th July 1993.  
Dated 13 August 1993  
220 Aldersgate Street  
London EC1A 4JD  
Solicitors to the Company

Notice of appointment of Joint Administrative Receivers

**PABC (BAITERS) LIMITED**

Registered number 2168312. Nature of business: Property Development. Trade classification: 38. Date of appointment of administrative receiver: 2 August 1993. Name of person appointing the administrative receiver: Gresham Overseas Limited (in Liquidation), Joint Administrative Receivers. Address: 100 Victoria Road (office holder number 7240) and 100 Victoria Road (office holder number 1257). Address: 100 Victoria Road, London SE1 9NL.

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## PUBLIC NOTICES

RADIOACTIVE  
SUBSTANCES ACT 1960

APPLICATION BY NUCLEAR ELECTRIC PLC TO DISPOSE OF RADIOACTIVE WASTE

The Chief Inspector of Her Majesty's Inspectorate of Pollution (HMIP) and the Minister of Agriculture, Fisheries and Food are considering an application from Nuclear Electric plc, in accordance with the Radioactive Substances Act 1960, to dispose of gaseous, liquid and combustible radioactive waste from their premises at Sizewell B Nuclear Power Station, Sizewell, Nr. Leiston in the County of Suffolk.

Copies of the application from Nuclear Electric plc together with draft Certificates of Authorisation and Explanatory Memoranda, which have been prepared for this public consultation, can be inspected at All public libraries in the County of Suffolk; The libraries of Colchester, Great Yarmouth, Harleston, Long Stratton, Norwich and Thorpe St Andrew in the County of Norfolk; The libraries of Clacton on Sea, Colchester (Main and Prettygate), Harwich, Maldon and Witham in the County of Essex; The council offices of Suffolk County Council, Suffolk Coastal District Council and at HMIP's main offices in London, Bedford, Bristol and Leeds during normal working hours from 15 August 1993 until 8 October 1993.

All comments should be sent as soon as possible and in any event to arrive no later than 8 October 1993 to Sizewell B Public Consultation, HM Inspectorate of Pollution, PO Box 143, Bedford, MK42 0PN. B67/11/1993 (1).

## CONTRACTS &amp; TENDERS

INVITATION TO SUBMIT BIDS  
FOR THE PURCHASE OF 18141 SHARES  
REPRESENTING A 67.19% INTEREST IN THEARAB COMPANY FOR  
HOTELS & TOURISM INVESTMENT (ACHTI)  
(CAIRO - EGYPT)

In the context of the Privatization Program of the Government of Egypt, the Egyptian General Organization for Tourism and Hotels (EGOTH) announces the sale of its stake in the Arab Company for Hotels and Tourism Investment (ACHTI). EGOTH's total stake in ACHTI is 18141 shares representing about 67.19% of the total outstanding common shares of ACHTI. The Commercial International Bank was appointed as the Financial Adviser in the sale of these shares.

## THE COMPANY

The Arab Company for Hotels & Tourism Investment (ACHTI) is an Egyptian joint stock company established in 1979 under Law No. 43/1974 amended by Law No. 230/1989. The company is engaged in conducting investments in hotels and touristic projects in Egypt. ACHTI is the owner of the Sheraton Luxor Hotel (a 5 star hotel located in Luxor city with a total room capacity of 298 rooms), Novotel Cairo Airport Hotel (a 4 star hotel located in Heliopolis, Cairo Airport area with a total room capacity of 215 rooms), Merri Raa boat (a floating restaurant leased to Sheraton Luxor) and other investments.

## SALE PROCEDURES

The Shares of the company will be sold through a competitive bidding procedure according to the terms and conditions of the bid documents and subject to prevailing Egyptian laws and regulations. Bidders may obtain from the Financial Adviser's office a complete set of bid documents outlining the bidding procedures and requirements and including detailed information on the company. Bids for the entire amount of offered shares as well as partial bids will be accepted subject to a minimum bid of 1350 shares.

Bids will be accepted until noon on Thursday, September 30, 1993.

Bidders interested in the contemplated transaction should address all their requests to:

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Mr Adel El Labban

General Manager & Board Member

Nile Tower 21/23 Giza Street

Giza, Egypt

Tel: (202) 348 1797 Fax: (202) 570 2691 or 570 3172

## CONTRACTS &amp; TENDERS

ALBANIA CRITICAL IMPORTS PROJECT  
AMENDMENT TO INVITATION TO BID

IDA Credit 2404 - sub Contract Ref: MO/148/93 and MA/113/93  
Regarding our advertisement in the Financial Times of July 22nd 1993 inviting bids for the supply of PHARMACEUTICALS FOR HUMAN USE, our ref. MO/148/93; and VETERINARY DRUGS, our ref. MA/113/93; we wish to inform all interested suppliers of the postponement of the deadline for bid submissions for MO/148/93 from September 9th 1993 to September 23rd 1993, and for MA/113/93 from September 10th 1993 to September 20th 1993.  
Signed: Agina Hado, Director, Project Implementation Unit

فكرات الامن



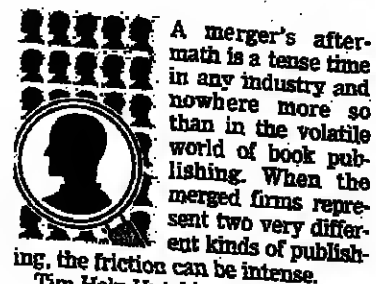
## EUROMANAGERS TO WATCH

## A literary union

Martin Mulligan examines how the fledgling Hodder Headline is coping with post-merger uncertainty



Merger by the book: Tim Hely Hutchinson does not anticipate any culture clash



A merger's aftermath is a tense time in any industry and nowhere more so than in the volatile world of book publishing. When the merged firms represent two very different kinds of publishing, the friction can be intense.

Tim Hely Hutchinson, group chief executive of the new-born Hodder Headline, should be keenly aware of the dangers he faces. More than a decade ago Robert Maxwell headhunted him to help restore order to the industrial chaos after the merger of the aggressive, young Futura paperbacks and the established, hard-cover house Macdonald. A bitter staff dispute about redundancies at Macdonald lasted four months and £1.5m was lost in the year before Hely Hutchinson took charge. When he left in 1986 the company was again in profit.

Today, however, he is facing an arguably greater challenge with the merger of his ambitious young company Headline and the venerable, privately-owned Hodder & Stoughton, which has created the fifth largest British publishing group.

Hely Hutchinson's career at 39 resembles that of an executive character from a fast-paced thriller on his own Headline list. He is single and drives a silver Alfa Romeo. He is descended from Irish aristocracy - the family seat is in County Tipperary. The son of the Earl of Donoughmore, Eton and Oxford educated, his background blends a colourful cocktail of romantic appeal and success that feature writers have detailed ad nauseam.

The years spent working in Maxwell's shadow provide a rich source of anecdotes and questions. How, for instance, did he thwart Maxwell's regular attempts to turn Macdonald into his own personal publishing house? Hely Hutchinson confirms that he stalled Maxwell's pet projects by turning a blind eye to the telescope, encouraging the chief quietly to abandon his craziest schemes. "I had two jobs - running Macdonald and running a relationship with Maxwell," he says.

His ambition for Headline - the firm he founded with venture capital and the expertise of his colleagues Stan Thomas and Sue Fletcher in 1986 - was evident from the start. "Headline was always the platform to do something substantial. It was never going to be just a niche player," he says.

A profit-driven, popular consumer publisher from the outset - as you might expect from the publisher of *Follies of the Flesh*, *The Hello! Cookbook* and *Buddy Holly is Alive and Well on Ganymede* - Headline was never going to fit the traditional British publishing mould. Hodder,

by contrast, represents just that: a respected family firm founded in 1868 with an evangelical purpose, boasting an established educational division, and a distinguished backlist which includes Le Carré, Enid Blyton and the Bible.

Hely Hutchinson has a vision of "a conglomerate with soul". What he has on his hands for the moment are two very recently separate publishing entities and editors on each side who start from different pub-

lishing assumptions. It will take undoubted energy and diplomacy to co-ordinate them without mishap.

He plays down the merger's possible hazards. "I do not see that there will be any culture clash, especially as the lists differ so," he says. Nor is he uneasy at the expansion from 170 to more than 600 staff.

His advice to managers in the midst of merger is: act swiftly. "There are inevitable fears, uncertainty and unhappiness in the early

days of a merger. I intend to get these out of the way as quickly as possible." He regards "bottlenecking" or vacillating about decisions as the worst sin a manager can commit.

He is clearly uncomfortable though when it comes to discussing the ultimate size of Hodder Headline. "The immediate thrusts of the merger will be to reduce costs and simultaneously to stimulate growth in the editorial departments, as Hodder & Stoughton has been starved of resources during the past few years," he says, quickly adding: "No one needs to feel threatened. I don't recognise any differences between people as to their origins within the group now is Hodder Headline; it doesn't matter where they came from. No division is for sale."

So far, 72 jobs have gone, two-thirds falling on the administrative side of the business. A relocation will follow next spring when Hodder's old distribution centre near Sevenoaks in Kent is closed, affecting about 150 people. Headline's distribution company, Bookpoint, in Abingdon, Berkshire, will be expanded and 70 people taken on. Hely Hutchinson says that with these measures the "major UK job saving programme" will be complete.

The need to safeguard Headline's entrepreneurial spirit which has brought it so far - from a share price of 87.55 when it came to market in April 1991 to today's 355, and figuring frequently in the bestseller lists with Dean Koonitz's supernatural thrillers and Ellis Peters' medieval whodunnits - ranks high on his list of priorities.

Hodder Headline will comprise autonomous sales teams for 10 separate lists, able in theory to react more quickly to perceived openings in the market. Each unit will be headed by its own managing director. Martin Nell, former key accounts director of Pan Macmillan, is to run fiction and non-fiction.

Hely Hutchinson explains: "A publisher must be good at buying and at selling. Selling books is not like selling socks or shirts; the judgments require more subtlety. The industry is relatively short of all-rounders who are content to buy and sell." His conclusion is that the all-rounders heading his divisions should be free to trust their publishing intuitions and, crucially, to remain sensitive to feedback from retailers.

This is dream of a versatile publishing giant, formed of such heterogeneous units and guaranteeing quality at the same time as profits, truly attainable? Hely Hutchinson's growing number of fans insist he will be able to carry it off. His progress across the Hodder Headline tightrope will be watched with industry-wide fascination.

## CHRISTOPHER LORENZ

## Tailoring offices to more modest times



Jacques Attali would not have believed his eyes. Nor, for that matter, would the fiercest critics of his free-spending antics at the European Bank for Reconstruction and Development. Even my humble taxi driver and I could scarcely credit it. After 10 minutes of searching up and down a Swiss city street full of solid, multi-story stone offices, we found the headquarters of the £1.7bn business we were seeking: an unassuming timber block which we had passed several times.

The single-storey building was more reminiscent of a British post-war austerity "prefab" or a Nissen hut than the base of a thrusting worldwide business. At best, it resembled a works canteen, or a cricket pavilion.

Inside, all was creaky floors and dark linoleum. Even the boss's office, with its simple desk, table and chairs, was graced only by a warm oriental carpet.

To a British eye, accustomed to all the marble, glitz and soaring atria with which corporate offices have been embroidered under American influence over the past 15 years, it certainly looked out of place. But could - or should - it be the shape of things to come?

In a literal sense, obviously not: the 40-year-old building has worn well, but is less functional than it looks: its long corridors and inflexible partitions would impede the pattern of shifting group-work needed in most modern organisations. On the sweltering day of my visit, its lack of proper ventilation was annoying. And if it were built today, its poor "plot" ratio (office space to site area) would give any modern developer a heart attack.

Yet it stands for a principle that, with the glaring exception of banking, shows signs of returning in the very status-conscious Anglo-Saxon corporate world: that head-office buildings should not only be cost-effective, but should also reflect the individual character of the organisations within them, rather than some glossy theatrical norm. Since the nature of most organisations is changing,

so should that of their HQs.

It is a coincidence, but a most appropriate one, that the Swiss business I visited is in the midst of "re-engineering" its various processes, in common with many other European and American companies. In such organisations, processes which span such activities as order processing and logistics are being redesigned from scratch. Each unnecessary step is being stripped out.

The same criterion should be applied to head offices. For both cost and psychological reasons, it is inappropriate for a "re-engineered" organisation to continue to occupy an HQ equipped with superfluous but expensive bells, whistles and decorations. If it really wants to remain lean and ultra-productive, and not re-accommodate fat, it must signal that

Since the nature of most organisations is changing, so should that of their headquarters

intention to its employees at all levels, especially to its managers.

This does not mean every company must move into Nissen huts, nor that we should return to the awful uniformity - and functional inadequacy - of the grey, faceless 1960s office block. Good designers can do far better than that.

All around the world there are plenty of restrained, head-office buildings. In Japan some, like that of Brother, resemble little more than distribution depots. Many other companies have also resisted the temptation to follow most of their country's electronics and car-makers into ritzy, American-style corporate palaces.

In the west, various HQs epitomise a form of understated grace which is worthy of any multinational anywhere: the most impressive are low-rise structures in Silicon Valley, such as those of Intel and Hewlett-Packard. In a different physical and development environment, the converted mills of several of their New England rivals, notably Digital, rate equally highly. European instances include

Electrolux's sparse Stockholm HQ, a former factory. Its conversion was done with none of the interior ostentation of several recent refurbishments of well-known London buildings, including the former HQ of this newspaper.

Whether a rehabilitated building is low or high rise, and was formerly industrial or commercial, the process of stripping out the old interior and replacing it with lean, purpose-designed office facilities, is obviously a form of "re-engineering". But this does not mean that no re-engineered organisation should build anew; it is arguable that new-build is closer than rehab to the "redesign from scratch" principle of re-engineering.

Whether they redesign, or build from scratch, organisations of every kind should tailor their buildings to their peculiar requirements, both internal and external. In doing so, they must consider their employees' current - and future - working patterns, motivation and productivity. And they must weigh carefully the sort of external image they wish to project into a cost-conscious world.

Organisations whose fortunes are based largely on image-creation, such as advertising agencies, will continue to require a fair degree of opulence and show in their buildings. But this does not necessarily entail vast cost; ingenuity is more important. Even a company which wants to broadcast its high-tech glamour by using the latest building technology need not spend the earth if it has a good architect.

Most other types of organisation, should rein back their glitz and glamour by several degrees at least. They cannot do so instantly, since neither refurbishment nor new-build is an economic proposition for most of them in the current state of the office market. But, as more and more scale down their head offices for strategic or cost reasons, and need more modest-sized accommodation as a result, it will be instructive to see which of them tone down their opulence as well, and what character they create in its place.

Shareholders and competitors, as well as re-engineering and design consultants, should monitor developments closely.

## THE PROPERTY MARKET

The UK property market's recovery is gathering pace. A spate of better-than-expected news on the economy, together with a sea change in sentiment, is fuelling a far stronger recovery than forecasters expected at the start of the year.

Since the spring, the amount of money waiting to be invested in the property market has built up rapidly. Some £7bn of money had been earmarked for the property sector, according to Hillier Parker, chartered surveyors.

James Capel, a broker, is now expecting capital values to rise by 10 per cent this year, and 10 per cent in 1994. "The investment market is hotter than at any time since the late 1970s," says Mr Alan Carter of its property team.

Some of this enthusiasm is shared by the stock market. On Wednesday when the FT-SE 100 index broke through the 3,000 mark, property was the best performing sector of the market with a 2.2 per cent rise. The value of property shares has nearly doubled in the past year, as investors look forward to an improvement in the underlying market. The property sector is now on a premium of 10 per cent to estimated net asset value, according to brokers UBS. That compares with a 10 year average discount of 23.7 per cent.

Not everyone is convinced that the enthusiasm for property is justified. The market is overheating in the view of some participants, such as Mr Clive Lewis, president of the Royal Institution of Chartered Surveyors.

Certainly, there is little evidence that the end of the recession has had an impact on tenant demand. Rents are still falling. Richard Ellis, a firm of surveyors, estimates that they have fallen by 7.3 per cent this year. Improvement in tenant demand is still extremely weak, not least because many occupiers still have empty space in their buildings.

Some observers also feel disconcerted that property appears to be bucking the traditional role of being one of the last sectors of the economy to respond to an upturn in the economic cycle.

But this point begs the question of how much the current behaviour of the property sector has in common with previous cycles.

In some respects, there are strong parallels. Consider, for instance, this assessment of

Vanessa Houlder on the recent sharp upturn in the UK

## A ride on the rollercoaster of recovery

Property: on the rebound



the market in the FT's Lex column in February 1978. With the exception of the quantity of bank debt overhanging the market, the comment would have been valid 18 years later.

"The immediate problem, however, is establishing a new level of values, given the unsettling influences of the amount of property for sale, the £2.8bn of banking lending to the property sector still to be unwound, the recessionary threat to rents and the uncertainties about the government's detailed land proposals. "But the longer-term hull arguments remain - property's record as an inflation hedge, the weight of institutional money in short-term assets and the impact of the current cut-back on new development on the supply of space in two or three years' time."

But the differences between these periods are possibly more striking than the similarities. Consider, for instance, property's relationship with gilts and equities, which is entirely different from the 1970s. Property yields at about 9 per cent are now higher than gilt yields, and far higher than equity yields, which stand at 8.7 per cent. In the 1970s, by contrast, property yields were close to equity yields and far below gilt yields.

The consequence of this changed relationship is that property responds far more readily to changes in the bond market. "For the first time in 30 years, property has bond characteristics, rather than equity characteristics," says Mr David Tunstall of Smith New Court.

As a result, the current bull market in bonds is forcing down property yields. Hillier Parker this week said that yields had dropped by a further 0.1 percentage points for August, pushing the All Property average yield down to 9 per cent. In some sectors where reasonable rental growth is expected, yields have dropped by 1-1.5 points over the last six months, it says.

According to Hillier Parker, this is the first improvement in yields since August 1988, when yields stood at 7.2 per cent. It believes the improvement in yields is set to continue. "With renewed interest, particularly from institutional investors, the market is now gradually moving from one of few buyers and many potential vendors of a year ago, to many more buyers than sellers," it says.

Some agents are forecasting

an extremely rapid fall in yields. Savills, a firm of chartered surveyors, believes that yields will move by an average of 2 percentage points by the end of the year. It expects retail warehouse yields to be 7 per cent, office yields in fall below 7.5 per cent, prime retail yields to drop to 5-6 per cent and industrial yields to fall to 8 per cent.

Can the market maintain this pace? Some analysts believe the unexpected strength of the recovery this year means next year's growth will be slower than anticipated.

In the view of Mr Chris Turner of BZW, the improvement in values will slow down next year. If falling gilt yields cease to bolster the market, the continued progress in property values will depend on the outlook for rental growth, which is still uncertain.

Most surveyors do not expect rents to begin to grow until the second half of 1994. But it is hard to generalise. Much depends on the economic performance in different cities and the balance of supply and demand. A recent report by Chesterton showed that vacancy rates for new or refurbished office property ranges from 0.7 per cent in Manchester to 8.4 per cent in the City of London and 38 per cent in Docklands. London's vacancy rate stands at 17.8 per cent, while outside London, the average city vacancy rate is 11.5 per cent.

Overall, about 44m sq ft of office floorspace is available to let in the UK's largest 16 cities, representing 15.3 per cent of their total stock. New and refurbished floorspace accounts for over 40 per cent of the total available space. As demand improves, this space will become more attractive to potential occupiers at the expense of the secondary market. "Poor quality secondary properties, or those in fringe and unproven locations, may be suitable only for redevelopment," it says.

The question of how fast rental growth will return depends on several factors, such as the amount of second-hand space that is taken out of the market for redevelopment and the speed of the recovery of the development market. More than anything else, however, the outlook for rental growth depends on the robustness of the economy. The UK needs a period of low interest rates and strong growth, if the recovery in the property market is to keep its momentum.

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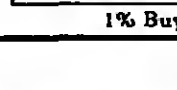
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## Training grabs the attention

Many corporate videos are synonymous with the corporate snooze: 20 minutes of largely irrelevant ramblings which have to be tolerated in order to glean one or two pieces of useful information. Many are already out of date just a few months after being produced.

The result? Many a corporate video quickly ends up with the last batch of company slides - gathering dust on the shelf.

There must be a minimum of 500,000 businesses that have produced audio-visual material in the past four to five years," says Mike Smith, managing director of Bradford-based YPL Communications. "I bet 490,000 of them are not being used."

Smith's company specialises in training material and corporate presentations on the latest electronic media: CD-Rom and Laserdisc.

The Laserdisc system he promotes, under the acronym of Bra (Barcode random access), allocates a barcode number to each section of the presentation on the disc. By clicking a light pen over the barcode in the accompanying catalogue the presentation jumps to the relevant section. Usually the images appear on a television screen, although the Laserdisc player can be attached to a projector for larger audiences.

"Bra enables you to produce the presentation from scratch or to take old linear videos and put them into the system and provide them with a directory," says Smith. "Bra is not particularly good if you need intelligence. CD-I is probably a better system for that."

One Laserdisc can incorporate 36 minutes of video, 54,000 slides or a combination of the two. Each disc has a dual soundtrack - one could be in a foreign language to promote overseas sales.

One of YPL's most prominent customers is the Patent Office, for which YPL has installed 170 systems. The disc is used in conjunction with a work book to explain how the patent system works.

Smith believes that at a cost of under £10,000 to put ageing slides and video on disc, many small businesses are overlooking the chance to make substantial business impact.

Della Bradshaw

Even the most sedentary cinema-goer must once have had a sneaking desire to stand alongside Clint Eastwood as the showdown loomed or join Indiana Jones in an escape from marauding tribespeople. Playing out such fantasies on the television screen is also the dream of film makers and electronics companies. This autumn European consumers will be bombarded with the first stage in such dream fulfilment - feature films on a silver disc.

In a £3m advertising campaign Philips is promoting full-length films on compact disc - the five-inch disc already widespread in the music and computer market. Ironically, they will be challenged by Japanese electronics company Pioneer, which is promoting in Europe the 12-inch Laserdiscs developed - and largely abandoned - by Philips over a decade ago.

Laserdisc is acknowledged as the superior product. "It's like a comparison between a hardback and a paperback book," concedes Simon Turner, director of Philips Interactive Media Systems.

Laserdisc produces high-quality digital "surround" sound with broadcast picture quality, as the large disc size means the picture is not compressed. Philips Digital Video, on the other hand, has to squash the pictures to get an entire film on to CD. For every one piece of data that is included on the disc another 129 are discarded. When the disc is played the eye does not notice the compression because the discarded data relates to parts of the screen that are not changing.

Only the moving parts of the film are updated, resulting in a picture quality which Philips claims is slightly superior to a VHS video. The accompanying sound is digital stereo, of a similar quality to that achieved on audio CD. Digital Video is the final piece in Philips' concept of CD-I (compact disc interactive) which combines digital images, sound and now video images for computer games, educational purposes and general entertainment.

Despite the inferior quality, says Turner, the five-inch disc is the one consumers identify with and want to buy. "It's not equivalent to Laserdisc, but that's of no interest to 95 per cent of the UK population who have never seen Laserdisc," Laserdisc concludes, is a niche market for the movie connoisseur.

At Pioneer, Guy Warren, senior manager of marketing and sales for Europe, begs to differ. Although the technology failed to grab the public imagination in the 1980s, when there were few recorded films available and the players were expensive, Laserdisc has since proven popular outside Europe. In Japan, one in 10 households has a player, and in the US 1m Laserdisc machines are in use. "This autumn

Philips and Pioneer are competing to bring Hollywood to life in the living room, writes Della Bradshaw

## Stars on a silver disc



Feature films will be available on Laserdiscs (right) and compact discs

will probably be a turning point for Laserdisc in Europe," predicts Warren. "There will be several blockbuster films released." They will include Basic Instinct, Chaplin and Universal Soldier. The Laserdisc players sell for £399, although a single film costs around £25. A feature film on Digital Video will cost less than £25 (£17).

In common with Digital Video, and unlike videocassettes, Laserdiscs are virtually indestructible, and the machines can play audio CDs as well. Warren believes the growing popularity of large-screen and projection television sets will fuel demand for these high-quality

recordings. In Europe, Pioneer plans to follow the route that established the technology in the US: it will buy the rights to blockbuster films and publish them on Laserdisc in the European Pal television format.

Neither Pioneer nor Philips see their products as a direct competitor for the VCR. In Japan there is now no market for audio CD players, only for Laserdisc ones, says Warren. Turner goes one step further. "Really we see CD-I as this box which produces many different values in the home. Games will be much better quality and there will be interactive films."

Much of Philips' bold advertising campaign will focus on persuading consumers that CD-I will bring together what used to be a plethora of distinct media. "What is interesting is that the traditional delineations in the publishing and broadcasting industries are disappearing," Turner says. "What CD-I is doing is mixing these up."

For Philips, CD-I forms the basis of a home entertainment system that combines computer games, digital audio, traditional linear movies and a combination of movie clips and computer animation. One scenario envisaged by Philips is the mixture of film footage and computer images - a chase scene from Star Wars, for example, where viewers ride alongside Luke Skywalker and control a space vehicle using a joystick on a CD-I console.

The attraction of such technology has not been lost on Pioneer. It has just launched Laseractive in the US and Japan and promises a European launch during 1994. Laseractive is a collaboration between Pioneer, Japanese electronics manufacturer NEC and games company Sega, and delivers interactive games and films similar to those on CD-I.

Pioneer is again pushing the superior quality of its product: the larger storage capacity of Laserdisc enables Laseractive to give an improved picture quality and superior computer images and interactive software. The company also believes the greater storage capacity of Laserdisc will enable the technology to compete with high-definition television, which has a far greater number of picture elements.

Philips counters by saying CD-I technology will have progressed by the middle of the decade, the earliest date by which HDTV will be available. Double density discs will be available using blue lasers, which can be focused more finely than today's red laser systems.

Warren also argues that on the home-movie front Laserdisc has a further advantage over CD-I in the run up to the Christmas buying season: the technology is well-proven and widely available.

This autumn Philips is selling a slot-in cartridge for £150 which will upgrade existing CD-I players, bought largely for games software, to enable them to play feature films and interactive games incorporating Digital Video. Not until early next year will the company launch a CD-I player with Digital Video included as a discrete unit. They will also sell a "black box" to convert audio CD players to play CD-I discs with Digital Video.

For the harassed parent who views such home entertainment systems as a threat to domestic peace and quiet there is one further frightening thought: both CD-I and Laseractive are designed to incorporate home karaoke systems.

## Worth Watching · Della Bradshaw



### Testing time for expectant mothers

A simple blood test, which could definitively inform expectant mothers whether their child has genetic abnormalities, is being developed by the Applied Imaging Corporation of Santa Clara, and the UK's Medical Research Council.

The only method of prenatal genetic screening in widespread use today is amniocentesis, an invasive procedure involving the removal of some of the amniotic fluid surrounding the foetus.

Recently it has become apparent that small numbers of the unborn child's cells enter the mother's bloodstream. The test being developed extracts these cells for genetic analysis. Researchers believe it will prove a less expensive and risky alternative to the amniocentesis test. Applied Imaging Corporation: US, 408 562 0250; UK, 091 516 0605.

### Flying high with an ear to the ground

You may be flying at 30,000 feet, but the news never be far away, writes Andrew Fisher.

At least, that is what Lufthansa, the German national airline, has in mind with its plan to keep passengers alert to the latest financial, political and other information.

Through its link-up with DPA, the German news agency, Lufthansa says it will become the world's first airline to beam up hourly news bulletins by satellite. The service will be on cabin screens in German and English during long-haul flights. Lufthansa: Germany, 069 6960.

### A clean sweep for chips

As silicon chips get smaller, particles of dust on their surface

can affect their performance. Washing the chips is difficult - traditional methods often leave tiny particles of dust behind. The cleaning process is also bad for the environment as it relies on chlorofluorocarbons (CFCs).

A small company in Bethesda, Maryland, has come up with an alternative way to clean silicon wafers which could solve both problems.

The Radiance process uses a laser to excite the particles so that they jump off the wafer's surface. A flow of gas then blows the particles away.

Radiance intends to charge a royalty for the use of the process. Radiance: US, 301 654 0305.

### Notebook/notebook with the flip of a lid

A personal word processor with a traditional keyboard and a liquid crystal screen which accepts hand-written script has been launched in Japan by Sharp.

The WD-A770 has been designed with a "swing-top" lid: when the keyboard is used the machine sits open resembling a standard clam-shell notebook machine; when the user wants to write on the notepad the screen is pulled forward and laid on top of the keyboard, screen uppermost. Using a pen the screen is used like a notepad, for creating illustrations or for editing, or highlighting text.

Various thicknesses or modes of writing are built into the software. Sharp: Japan, 06 625 3007.

### Beet takes a beating

An artificial sugar beet with built-in electronic sensors should give farmers plenty to chew over this harvest.

Every year farmers are vexed by the amount of beet that gets damaged during harvesting. As much as a third can be harmed by the harvesting machinery.

Help is at hand in the form of battery-powered sugar beet from Adas, the agricultural development service. It is thrown in with the ordinary beet and bums through the harvester alongside it.

Electronic sensors, contained within a thin, carbon fibre shield and a coating of rubber, reveal where most damage occurs during the process. Adas: UK, 0525 860077.

## FINANCIAL TIMES CONFERENCES INTERNATIONAL PACKAGING AND THE ENVIRONMENT London - 18 & 19 OCTOBER, 1993

The Financial Times second conference on the international packaging industry will look at the implications of legislation and the opportunities and problems facing the industry and its customers. Co-operation in the packaging chain, whether recycling or incineration is the way forward will be examined, as well as the opportunities for new uses of resources.

Speakers include:

**The Rt Hon John Gummer MP**  
Secretary of State for the Environment

**Mr Hans Alders**  
Ministry of Housing, Physical Planning  
& the Environment, The Netherlands

**Mr Thierry Marraud**  
St Gobain Group

**Mr Dermot F Smurfit**  
Jefferson Smurfit Group

**Mr Walter Brinkmann**  
Coca-Cola International

**Mr William Seddon-Brown**  
Waste Management International

**Mr Michael C Coe**  
Lever Brothers Limited

**Mr Clemens Stroetmann**  
Federal Ministry for the Environment,  
Nature Conservation & Nuclear Safety,  
Germany

**Mr Yannis Paleokrassas**  
EEC

**Mr Colin J Williams**  
SCA Packaging Business Group

**Mr Matthias K Miranda**  
Frantschach AG

**Mr Andrew Somogyi**  
FEVE

**Mr John Chamberlin**  
Iggesund Paperboard (Workington) Ltd

**Mr Amédée Chomel**  
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## INTERNATIONAL PACKAGING AND THE ENVIRONMENT

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## Rouse puts his toe in the water

Michael Rouse, who has spent the past 20 years at the Water Research Centre (WRC), has been headhunted as the next boss of the Drinking Water Inspectorate for England and Wales.

He succeeds Michael Healey, a Department of the Environment civil servant responsible for water quality in the run-up to water privatisation who became the first head when the inspectorate was created at the beginning of 1990.

Healey is now retiring at the age of 60. Part of the DoE, the inspectorate, which has just 30 staff, monitors the quality of drinking water supplied by the privatised utilities - by audits rather than by independent



testing - and can take enforcement action if legal requirements are not being met. A mechanical engineer by training, Rouse, 53, has been chief executive of the WRC

since 1984, presiding over the 1989 staff buy-out of the centre, which is now a private company, owned 57 per cent by staff and 43 per cent by the water companies.

He says he is attracted by the "public service element" of his next job, as well as by "the intellectual challenge" of influencing the debate in Brussels so that the EC as a whole comes out with realistic standards for water purity.

Before joining the WRC in 1974, Rouse had been at British Gas, working on various aspects of high pressure pipelines when gas was first distributed in the North Sea. From pipelines, it was but a small step to an interest in water, he explains.

## Said at Aitken

Wafic Said, the Syrian-born arms dealer who was mentioned as a possible purchaser of the Observer newspaper earlier this year, has become a director of Aitken House International, the financial services group in which the Said Trust has a 31 per cent share. The other major shareholder, Lee Ming Tee of Hong Kong, has long been on the board.

Ziad Idliby, chairman and chief executive of Aitken House, says he was approached by the Trust which wanted to nominate a director. As to the timing of Said's appointment, he adds simply: "It is very difficult for the chairman to ask, hey, how come you want to be on the board?"

In May, the group sold its fund management group National Securities Research, leaving only a London and Guernsey bank and a huge pile of cash. "It is time for the company to decide on its future direction," Idliby agrees.

## Bodies politic

Judith Hunt, chief executive of failing borough council, London, will become chief executive of the LOCAL GOVERNMENT MANAGEMENT BOARD in October. Hunt, 48, replaces Michael Clarke who is leaving the LGMB to become Professor and head of the school of public policy at Birmingham University.

George Bain, principal of the London Business School, has been appointed an additional member of the SENIOR SALARIES REVIEW BODY, the renamed Top Salaries Review Body.

Michael Chamberlain, president of the Institute of Chartered Accountants in England and Wales, has been appointed a deputy chairman of the Financial Reporting Council until June 1994.

and former lobby correspondent of The Economist, has been elected chairman of the COUNCIL FOR THE PROTECTION OF RURAL ENGLAND. He succeeds David Astor who held the post for 10 years.

Peter Baker, md of Rank Hovis, has been elected president of the NATIONAL ASSOCIATION OF BRITISH AND IRISH MILLERS for a second year.

Clive Lewis, joint chairman of Erdman Lewis International, has been elected president of the ROYAL INSTITUTION OF CHARTERED SURVEYORS.

## McDonald: "enjoying problems"

Stuart McDonald, former joint chief executive of London & Edinburgh Trust, has been appointed non-executive chairman of Windsor, a small insurance broker which dominates the sports insurance market.

McDonald, 49, resigned from LET last September along with the Beckwith brothers, who founded the property group which was sold to Sweden's SPP for £491m at the peak of the UK property market in 1990.

Windsor, which has a stock market capitalisation of just over £5m, is recovering from a difficult period when its profits have been hit by a series of ill-conceived acquisitions and diversifications. The need to write down the value of a large property led the group to report a pre-tax loss of £1.9m in the half year to end-March.

A new chief executive, Mike Eagles, was brought in from Citicorp two years ago, and the group has been looking for a new chairman to replace Stanley Cohen who has been doing the job on an interim basis.

McDonald, who first met John Beckwith when they worked as accountants at Arthur Andersen in the 1960s, spent 14 years with N.M. Rothschild before joining LET in 1988. Although he says that he has not been hired by Windsor for his property expertise, he continues to advise companies on property matters. In May he was appointed to the board of Brent Walker, the heavily indebted pub and betting shop group. "I enjoy working for companies with problems rather than massive organisations which are plugging along doing well," he says.

LONDON STOCK EXCHANGE

FINANCIAL TIMES

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(Financial Times 12/8/93)

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## Pop concert U2 at Wembley

With pop music so obviously suffering a crisis of confidence it is comforting to find a band wholly committed to spectacle, drama, megalomania and pretension. Half way through his performance at Wembley Arena on Wednesday, Bono, the singer and driving force behind the Irish economy, U2, took time off to sort out Bosnia. His live screen link up with some cowed looking inhabitants of Sarajevo got prospects for peace no further than Lord Owen, but it showed where the man's heart is - so blatantly on his sleeve that it irritates beyond reason.

Not that it perturbs Bono. If Bosnia cannot accept the mediation of U2, why not turn his attention to Salman Rushdie. He phones him up, but that is just a hind. Rushdie is actually back stage and for a hug from Bono exposes himself before 50,000 people, so great is the power of a superstar.

On top of this canter through good causes U2 put on the most expensive and the most pleasurable of spectacles. The stage is like some gigantic TV station, with screens to project images of everything from drumming Nazis to Martin Luther King. For no good reason three cars are suspended from the galleys, and there is a light show of such brilliance that sometimes the stage glows red like the Devil's kitchen, sometimes gleams white like the very portals of Heaven.

As if this were not enough, there is a subsidiary stage linked by a catwalk where the band perform acoustic songs from the new album, a belly dancer wafts through "She moves in mysterious ways", and a none Bono is videoed by a young Argentinian girl who squeals ecstatically for those vital close ups.

With so much to divert the eye the music hardly needs attention. In fact U2 stick very close to their standard repertoire, and are at their best belting out hits like "Streets have no name" as if they were any old rock and roll band. After all, they look like one: Bono dresses mainly in black leather and dark glasses, with a switch to Mephistophelean red, plus horns, for the finale, while guitarist, The Edge, seizes the one chance offered to the rest of the quartet and growls his way through his solo, "Numb".

U2 are seriously mega because they have fine control over their worthy songs and the confidence to play straight, give or take a massive stage crew and special effects of De Milleian proportions. Apart from the dancer there are no extra musicians, no backing singers. This is the band. They even manage to retain street cred and a right-on image while sending up their fans rotten in a sequence of video confessions taped by extrovert members of the audience, and leading the life of multi-millionaires. The cracks must be there but they do not show. The ZOO TV tour is pop as drama, pop as sensation, but U2 also make sure that the music is not completely forgotten. See it.

Antony Thornecroft

## Driven through palaces

Patricia Morison makes a plea for more time to stand and stare

You love looking at great paintings. Should you then go to Buckingham Palace to see the Queen's pictures? Other things being equal, of course you should, because the Picture Gallery is just wonderful. However, the decision whether or not to "do" Buckingham Palace must depend on the time available and sheer physical stamina.

How physically uncomfortable can one be and still derive pleasure from art? It could so easily be different, not just at Buckingham Palace but at cultural monuments everywhere, if only cultural tourism was not focused on the mess-experience. Although Buckingham Palace is mercifully not quite as popular as some had projected, there were still 6,000 visitors last Wednesday, which is a lot for a building not purpose-built as a museum.

You should expect to queue for between 60 and 90 minutes for your ticket; it is possible to have the whole thing over in a morning if you are near the front of the queue by around 11. Luring you on is the thought of the Picture Gallery where this year there are some dozen splendid masterpieces; Gericino's "Libyan Sibyl", Guido Reni's sensual "Cleopatra", the utterly chaste Agatha Bas, as portrayed by Rembrandt, Rubens's "Farm at Laeken" and "St George and the Dragon", together with works by de Hooch, Cuyt, and Claude Lorrain.

Other rooms have memorable paintings and some surprises, such as finding no less than three women artists: the Renaissance wonder Sophonisba da Anguissola; Angelica Kauffman (her large German duchess has the Throne Room to herself); and a marble statue of Princess Louise made in 1877 by obscure Mary Thorncroft.

However, the Picture Gallery is the thing, perhaps above all for the chance to see together two of the most famous and haunting images of royalty ever made. Van Dyck's "Great Piece", Charles I with Henrietta Maria and the two eldest children, faces the great equestrian portrait of Charles and his riding master, M. de St Antoine. (The second, larger portrait of the king on a dun charger is in the National Gallery.)

These monumental paintings would be better seen from much further away, as the artist intended and as they were at one time displayed in the Van Dyck Room at Windsor Castle. Even so, it is marvelous to compare these two very different images of a doomed king. Royalists will find them the more poignant for being still within palace walls and just a stroll away from the Banqueting House where

Charles's head was struck from his shoulders.

So far, so very good, but the drawback is that visitors have to move in one direction only. Anyone who wants to look properly must be for ever criss-crossing the gallery which is a wretched way to see paintings. They will permit no looping back for a last look, a particular hardship in the case of Rembrandt's small "Christ and Mary Magdalene at the Tomb", to my mind one of the loveliest things he ever did.

On a pragmatic view, the Queen's generosity in lending works from her vast collection - for example, to The Queen's Pictures at the National Gallery last year - lessens the urgency of going to the Palace. Both my favourite Rembrandt and "Agatha Bas" were widely seen in the 1991 Rembrandt show. The third terrific Rembrandt, "The Shipbuilder and his Wife", was shown at around the same period in the Queen's Gallery beside Buckingham Palace.

For 30 years, the Queen's Gallery has been making the royal collections accessible, although as a rule its shows are very little publicised. It is there that you will find Vermeer's "Lady at the Virginals" in an exhibition on George III and Consul Smith previously noticed on this page.

Even so, I hope that the Buckingham Palace visit will

also become a regular feature

of London's cultural resources, as the summer visit to the Palais du Roi is in Brussels. (Will public opinion prize open the Prince of Liechtenstein's collection at Vaduz Castle? I would also like to see special access for people who are not interested in flow by, gazing open-mouthed at the mirrors and chandeliers, but want instead to concentrate on the art treasures.)

Some country houses with important art collections do offer "connoisseurs' trips", although not nearly enough. They do at Boughton House in Northamptonshire, a palatial building of exceptional beauty which is only open on August afternoons. The intact 17th-century panelled State Rooms with their tapestries are protected by being shown as part of the longer tour.

I see the royal palaces as a classic example of the need to offer the public a split-level, sheep-and-goats kind of cultural tourism. Separating the serious from the faintly curious visitor preserves the quality of the experience and should become part of the strategy for protecting prime cultural destinations while actually increasing public access and awareness.

Unfortunately, the sole object of the people who run most tourist venues is to herd visitors round in droves,

adding on so-called "attractions" which in reality amount to force-feeding us gimmicky, patronising, low-grade pop.

How great an improvement it would be if, instead, every great castle, palace, or great house offered a choice of experience. Whether at Versailles, Wilton House or Castle Howard, there ought to be a "happy hour". Enthusiasts,

would be asked to pay sweetly for the privilege. (I see no reason why a private view of a great art collection should not cost as much as a good seat at the opera.) However, there is also the matter of popularity. It is surely no bad investment if in future years a trip to the palace could be made more appealing to the Queen's more educated subjects.



Masterpiece: 'Cleopatra with the Asp' by Guido Reni at Buckingham Palace

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## Theatre The Tempest

The RSC's new production at Stratford-upon-Avon, *The Tempest*, ends with a raspberry. Alec McCowen's Prospero is finally granted freedom to the spirit Ariel. "Fare thee well," he says in tones that include gratitude and affection. We think that only the epilogue is to come. Then Simon Russell Beale's Ariel responds to the farewell by spitting copiously on Prospero's face before marching off.

What this incident has to do with the rest of the production is exceedingly unclear. Until the raspberry director Sam Mendes has delivered an interpretation that is almost entirely cerebral. This is a *Tempest* that smacks excessively of English literary criticism. All the studies of what Shakespeare might have meant by the difference between nature, as represented by Caliban, and nurture, as it is portrayed by Prospero, have been read by Prospero, have been read by Prospero, have been read by Prospero.

The rest of the characters are somewhere in the middle. The real villains in the Mendes view are Stephano and Trin-



Simon Russell Beale and Alec McCowen

culo, normally described as a drunken butler and a jester. Here Stephano is shown as a pseudo-boss with a see-through upper-class accent. Trinculo carries a ventriloquist's dummy. The performances, by Mark Lockyer as Stephano especially, are very fine, but it seems unfair to blame them for all the ills that flesh can get up to. There are, after all, plenty of genuine villains around, such as the lot who deposed Prospero as the Duke of Milan in the first place.

The latter do not get much of a look in. Ariel does, and it was a striking decision to cast a man who admits he looks as if he was born to play Caliban in this role. Russell Beale is very good; he always is. He is dressed in one of those Chinese tunics that suggests he belongs to the party machines. He struts about like an obedient, if reluctant military servant, but one does wonder if that final venomous spitting is not a hint that he would have been happier playing the beast.

The trouble with trying to impose a hierarchical, ordered

vision on *The Tempest* is that ultimately it does not work. The play is full of mysteries, just as the Isle is full of noises, but they are not noises that can be easily explained. There ought to be a lot of fun in it, but unless you count the rather cruel humour of the Trinculo-Stephano-Caliban scene, there is no fun here, not even the element of surprise. There is not much romance either. Ferdinand, played by Mark Lewis Jones, is a plodding, if amiable dolt, and there is no sign that Sarah Woodward's Miranda has benefited from all those years of learned tutorials with her father. When she sees a collection of real people at the end and comments "How beautiful mankind is", she sounds as if she is setting off to be a coquette.

Still, you should not let such criticisms deter you from going. Until the final scene, I found the direction riveting throughout. There is also the perverse pleasure of being irritated at the same time.

Malcolm Rutherford

This 99th Proms season at the Albert Hall may display a more budget-conscious style of design than we have witnessed in recent years (with, for instance, fewer top-class foreign orchestras and "name" soloists in the schedule). All the same, plenty of choice things have been collated in it - programmes put together with imagination and flair, devised to profit equally from the BBC's amplitude of resources and the Albert Hall's vastness of size.

Two successive concerts earlier in the week made the point in a way to inspire both gratitude and the special pleasure that only a "characteristic" Proms concert can provide. Both employed large choirs - which, in these penny-pinched days, is fast becoming a sign of wild profligacy - alongside large orchestras to create the sort of musical canvas ideally exhibited in this particular auditorium.

Stravinsky's *Persephone*, given on Wednesday by the BBC Singers, Symphony Orchestra and Chorus, and the (excellent) New London Chil-

dren's Choir under David Atherton, almost always affords a wonderful Proms experience: a work full of potential awkwardness in other contexts which in this one radiates an unstrained serenity and wholeness.

The 1934 *madrigal* for speaker-dancer, tenor, choruses and orchestra is a hybrid about which in later years the composer himself came to express strong reservations - not just over the quality of Andre Gide's verse (which he variously described as "eau de toilette" or "vers de caramel") but over the basic feasibility of marrying spoken and musical material to each other at all, let alone to dance. (In this performance, because of the monochrome, shallow-toned delivery - uncomfortably amplified - of the speaker, Laurence Bouvard, the sense of

## Promenade concerts/Max Loppert

### Stravinsky and Szymanowski

Stravinsky's reservation was underlined rather more forcefully than it need be. In the concert hall we lose any embodiment of the physical, graphic quality that was Stravinsky's peculiar musical gift. What we gain - or at least we do in a performance as authoritative, fluent and concentrated as Atherton's - is an indelible impression of the score's unique beauty. This may be most French-accented of Stravinsky's neo-Classical masterpieces, with textures and phrases of a Gounod-esque limpidity and sweetness, with outpouring of arias and chorals setpieces unlike anything else in the composer's oeuvre; but, spread across the Albert Hall spaces, and sustained upon distinct blending of timbres and precise rhythmic currents, its ceremonial aspects develop an almost Russian Orthodox ritu-

challenging. Miss Necse's view of a serenade by the distinguished Slovak composer Eugen Suchoy was no less relaxed in its demands: the dancers behaved as if it were impolite to sweat in public. Plotless dance of this kind - which invokes in programme notes the name of Balanchine - should take heed of Mr P's question to a sluggish dancer in class: "What are you saving yourself for?" The motto and, I believe, the duty for Western ballet is "Go East", to help dance there find a way into the latter half of our century.

Queen Elizabeth Hall, Prague Festival Ballet's visit sponsored by Price Waterhouse and CSA Czechoslovak Airlines.

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Queen Elizabeth Hall, Prague Festival Ballet's visit sponsored by Price Waterhouse and CSA Czechoslovak Airlines.

## Dance/Clement Crisp

### Love Lessons 1993

few opportunities to see and absorb innovative Western work. So the concept of "modern" ballet is often a matter of emotion rather than of the choreographic adventures we accept as inevitable and largely unknown. Angst rather than abstraction is the norm, and an out-of-date vocabulary is burdened with themes and messages it cannot sustain in movement.

This Prague troupe - returning to London after a brief visit last year - is eager with good intentions, but sadly limited in

ways of expressing them. Of three pieces on view on Wednesday, one, *Silent Whispers*, was devoted to folk-song and dance, and was quaint to a point far out of sight. Some of its Moravian folk-tunes were fascinating; the dance, by David Slohopycky, was not. The two other offerings - Mr Slohopycky's *Love Lessons* and Alice Necse's *Serenade* - were lethargic. Palm Court music for the first (including the tango *Jealousy*) received Palm Court dancing, ineffectually winsome and distinctly un-

## INTERNATIONAL ARTS GUIDE

A major survey of 20th century American art goes on show at the Royal Academy of Arts in London next month, highlighting the development of American painting and sculpture from the Armory Show in 1913 to the present day. The exhibition, which comprises more than 200 works by 80 artists.

The first section focuses on major artists associated with the Show and the early modern movement in America, including Marsden Hartley, Georgia O'Keeffe and Edward Hopper. Within this section are works by Marcel Duchamp, who played a crucial role in the development of American art, as well as Man Ray, Alexander Calder and Joseph Cornell.

The exhibition goes on to show how abstract expressionism has had a determining influence on art in the second half of this century. The principal rooms of

the Royal Academy will be devoted to artists who established the New York School of the 1940s, including Arshile Gorky, Jackson Pollock, Willem de Kooning, Mark Rothko and Clyfford Still. Sculpture by David Smith will also be featured.

The next section focuses on Jasper Johns and Robert Rauschenberg, who heralded Pop Art - represented by key works of Andy Warhol, Roy Lichtenstein, Claes Oldenburg, Cy Twombly and Frank Stella. The final section reflects developments over the past 25 years - starting with minimal art and the various reactions to it. The exhibition runs from September 16 to December 12.

Other autumn highlights include an exhibition of 50 new works by Lucien Freud at Whitechapel Art Gallery (Sep 10-Nov 21) and a Jean Nouvel show at the Institute of Contemporary Arts (Sep 11-Oct 25).

## EXHIBITIONS GUIDE

**AMSTERDAM**  
Van Gogh Museum The Potato Eaters. Ends Aug 29. Courtauld in Japanese Prints. Ends Aug 29.  
**DAILY**  
Rijksmuseum Rembrandt in a new light. Ends Nov 1. Closed Mon  
**AKTWERP**  
Museum Mayer Van den Bergh The Triumph of Death (1626): a recently-discovered painting by Pieter Brueghel the Younger. Ends Dec 31. Closed Mon

Hessen House Story of a Metropolis: a portrait of Antwerp's golden age in the 16th and 17th centuries. Ends Oct 10. Closed Mon

**BONN**  
Boulevard Antwerp and the World Fairs 1885, 1894, 1930. Ends Aug 31. Daily  
**ONZE LIEVE VROUWECATHEDRAAL**  
Antwerp after pieces of the 15th and 16th centuries. Ends Oct 3. Daily

**BARCELONA**  
Fundacio Joan Miro Joan Miro: large-scale century exhibition. Ends Aug 30. Closed Mon

**BARI**  
Castello Svevo Corrado Giacomini. Ends Sep 5  
**BERLIN**  
Deutsches Historisches Museum Russian Photography 1840-1940. Ends Aug 31. Closed Wed

**NEUE NATIONALGALERIE**  
Beyeler Collection: an outstanding private Swiss collection of paintings by Picasso, Matisse, Klee and other early 20th century artists. Ends Sep 12. Closed Mon  
**ALTE NATIONALGALERIE**  
Oskar Reinhart Collection: paintings by 19th century German, Austrian and Swiss artists. Ends Sep 12. Closed Mon and Tues

**BONN**  
Kunst- und Ausstellungshalle The Desire to See. Ends Oct 10. Alexander Calder: 12 monumental sculptures. Ends Sep 30. Closed Mon

**CHICAGO**  
Art Institute The Art of Holy Russia. Ends Sep 15. Daily  
**COLOGNE**  
Josef-Haubrich-Kunststalle Anton Raderscheidt (1892-1970):

retrospective of the Cologne painter who fell foul of the Nazis. Ends Aug 29. Daily  
**DIJON**  
Musée des Beaux-Arts The Golden Age of Dutch and Flemish Paintings, selected from Catherine the Great's collections in the St Petersburg Hermitage. Ends Sep 27. Closed Tues (Palais des Ducs de Bourgogne)  
**DRESDEN**  
Albertinum Egyptian Antiquities. Ends next July. Closed Thurs  
Porcelain 18th century Chinese pink porcelain from Dresden collections. Ends Sep 22. Closed Fri

**EDINBURGH**  
National Gallery of Scotland Holbein and the Court of Henry VIII. Ends Sep 26. Daily  
**SCOTTISH NATIONAL GALLERY**  
Modern Art Russian Painting of the Avant-Garde. Ends Sep 5. Daily  
**ROYAL SCOTTISH ACADEMY**  
The Line of Tradition: 300 watercolours, drawings and prints by Scottish artists from 1700 to the present. Ends Sep 12. Daily  
**SCOTTISH NATIONAL PORTRAIT GALLERY**  
Phoebe Anna Traquair (1852-1936): paintings, embroideries, illuminated manuscripts and decorative enamelwork. Ends Nov 7. Photographing Children. Ends Oct 3. Daily  
**CITY ART CENTRE**  
The Waking Dream: only British showing of the privately-owned Gilman collection of photographs, charting the development of photography from 1839 to 1938. Ends Oct 2. Daily  
**ESSEN**  
Folkwang-Museum Morosov and Shchukin, Russian Collectors: 120 works from the St Petersburg

Hermitage and Moscow Pushkin Museums. Ends Oct 31. Closed Mon

**FLORENCE**  
Casa Buonarroti Michelangelo: 18 masterpieces. Ends Oct 30  
**GALLERIA DEL COSTUME DI PALAZZO PITTI**  
Fashion at the Court of the Medici. Ends Dec 31  
**FRANKFURT**  
Schirn Kunsthalle Eduardo Chillida (1924): 100 sculptures and 60 works on paper by the Basque artist. Ends Sep 5. Antoni Tàpies (1923): 60 paintings and 50 drawings by the Catalan painter. Ends Sep 5. Daily

**GENEVA**  
Cabinet des Estampes Goya and Rembrandt. Ends Sep 5. Closed Mon

**MUSÉE D'ART ET D'HISTOIRE**  
Egyptian Sluz glazed earthenware from ancient Egypt. Ends Sep 19. Closed Mon

**MUSÉE RATH**  
Contemporary Swedish Art. Ends Sep 26. Closed Mon

**GLASGOW**  
Burrell Collection A Celebration of Art in Nature: an exhibition celebrating the tenth anniversary of the building which houses one of the most prestigious public art collections in the world - the Burrell Collection. Ends Nov 10. Daily

**HUNTERIAN ART GALLERY**  
Charles Rennie Mackintosh, Master of Design. Ends Aug 28. Closed Sun

**HAMBURG**  
Kunsthalle Picasso After Guernica. Ends Aug 29. Closed Mon  
**DEUTSCHER HANDELSMUSEUM**  
Paul Klee: 60 works from the museum's collection. Ends Sep 19. The main museum is closed on Thurs, the SoHo site on Tues

**HILDESHEIM**  
Roemer und Pelizaeus Museum

Bernward of Hildesheim and the Age of the Otto Dynasty. Ends Nov 28. Daily

**LAUSANNE**  
Fondation de l'Hermitage Monet and His Friends. Ends Sep 26. Closed Mon

**MUSÉE CANTONAL DES BEAUX-ARTS**  
Balthus. Ends Aug 29. Closed Mon

**LONDON**  
Hayward Gallery Aratjars: the most comprehensive exhibition of Aboriginal art seen in Europe. Ends Oct 10. Daily

**ROYAL ACADEMY OF ARTS**  
Pissarro's Series Paintings. Ends Oct 10. Daily  
**TATE GALLERY**  
Art and Liberation: painting and sculpture in postwar Paris 1945-55. Ends Sep 5. Edward Burne-Jones: sketches from the museum's collection. Ends Nov 7. Daily

**LUGANO**  
Villa Favosita Lost Empires of the Silk Road: Buddhist art from the 10th to 13th centuries. Ends Oct 31. Closed Mon

**MARTIGNY**  
Fondation Pierre Gianadda Degas: his entire work as a sculptor. Ends Nov 21. Daily

**MONTPELLIER**  
Musée Fabre French 17th century Paintings from Public Collections. Ends Sep 5. Closed Mon

**MUNICH**  
Villa Stuck Max Backmann: 190 prints, woodcuts and lithographs 1901-46 from private German collections. Ends Nov 14. Closed Mon

**NEW YORK**  
Guggenheim Museum Museum of Modern Art: 60 works from the museum's collection. Ends Sep 19. The main museum is closed on Thurs, the SoHo site on Tues

**METROPOLITAN MUSEUM OF ART**  
Nudes: 30 works by Schiele, Klimt, Chagall, Picasso and Munch. Ends Oct. Paul Klee: 26 drawings. Ends Oct. Abstract Expressionism: works on paper from the period 1938-87 by American artists. Ends Sep 12. Closed Mon

**MUSEUM OF MODERN ART**  
Latin American Artists of the 20th Century. Ends Sep 7. Closed Wed

**NUREMBERG**  
Germanisches Nationalmuseum The Ludwig Collection. Ends Oct 10. Closed Mon

**PARIS**  
Louvre French Drawings from the Pierpont Morgan Library. Ends Aug 30. Closed Tues (Favillon de Flore)

**PRAGUE**  
Kinsky Palace Max Ernst. Ends Oct 3. Closed Mon

**PRAGUE**  
Prague Castle Europe in the Mirror of Baroque Art-Collecting. Ends Sep 12. Closed Mon

**ROME**  
Palazzo degli Esposizioni Italian Journey: landscapes by the Russian artists who flocked to Italy during the 19th century. Ends Aug 30. Art and Architecture - Richard Meier and Frank Stella. Ends Aug 30

**S**  
Michele a Ripa Borghese Collection: works by Titian, Caravaggio, Rubens, Raphael and others. Ends Dec 31

**WASHINGTON**  
Hirshhorn Museum Jean Dubuffet. Ends Sep 12. Daily  
Arthur M Sackler Gallery The Divine Word of Islam. Ends Jan 2. The Golden Age of Sculpture from Sri Lanka: 52 ancient masterpieces of bronze casting. Ends Sep 26. Daily



## Two of a kind: David Marsh on how bishops are responding to the divisions within their countries



Archbishop Joachim Meisner of Cologne, dispatched to the Rhine by God and the pope, has taken on an exacting task: to plough a furrow of catholic rigour straight and narrow across Germany's churned-up soil.

A former citizen of East Germany, a long-time protégé of Pope John Paul, and a cardinal in Rome since 1983, he scans the Germans and their weaknesses with hawkish eastern eyes.

In residence in west Germany for 4½ years, the archbishop ostensibly bridges the gap between the two parts of the reunited nation. Yet he also shows bow large and uneasy the divide still is.

Clashes of theology and personality were inevitable from the day this conservative Prussian cardinal arrived in Cologne, a bastion of west German liberal catholicism. But the ferment generated by his onslaughts on Germany's spiritual shortcomings has surpassed all expectations.

On a chill morning in his office near the cathedral, the archbishop illustrates why he provokes passion. He speaks in fiery parables, lacerating his enemies in a voice rising and falling with the cadence of psalms.

The archbishop says members of the ruling Christian Democrat party who support liberalisation of west German abortion laws "betray" Christian principles. His doctrinaire views on this, along with issues such as remarriage of divorcees or the religious status of women, have exposed him to strong criticism, and prompted thousands of Rhineland catholics to quit the Church.

However, such reactions to his moral offensive strengthen his conviction that he is right. "It is better that the Church becomes smaller and remains faithful, than if it seeks popularity through false adjustment to society. The Church is in the world, but not of it."

The bishopric of Cologne - the largest in Germany, with an extensive welfare network of homes, schools and hospitals - has a temporal as well as a spiritual role. As a young man in East Germany, the archbishop was once an apprentice bank clerk.

## Paradise lost in the west



Joachim Meisner: speaks in fiery parables, lacerating his enemies

Could he have become not bishop but banker? Softly, he points out that he sits on two Vatican finance committees. "It is not unimportant that I know something about finance. God moves in mysterious ways."

There is nothing mysterious about the archbishop's relish for strife. Born on Christmas Day 1933 in Silesia (now Poland), he fled in 1945 with his family from the Soviet advance and settled in what became communist East Germany. After taking religious orders, during the 1960s he became the head of the East German catholic Church, a tiny hotbed of defiance to the communist regime.

Commanded by the pope - whom he has known since 1978 - to take his ecclesiastical

orthodoxy westwards, the cardinal moved from Berlin to the Rhine in 1983, a year before the fall of the Berlin Wall. The collapse of communism took him, like so many, by surprise. He thought he would never live to see German reunification; the pope, he says, saw it coming.

"He told me in 1987: 'The tide is turning.' I said: 'Holy Father, I don't believe you.'"

For the reunification celebrations in October 1990, a triumphant fragment of Berlin Wall graced the Cologne cathedral altar. Nearly four years later, the joy has disappeared. "I am shocked and shaken at how quickly the gift of freedom and the gift of human rights seem to have faded into the background as the economic situation has deteriorated."

The west Germans' reluctance to make sacrifices for the east is one more sign of human frailty, he says. "Man's overall spiritual condition is the situation of original sin. How does a human being come to the world? A child is not born with outstretched hands, to give, but with clenched fists."

Overall selfishness in united Germany has been exacerbated by a sorry combination of materialism in the west and the residues of Marxist-Leninism in the east.

"A people composed of pure egoists; a people who have been deluded into thinking, in both east and west, that everything they want, they shall have, how can such a people, from one day to another, learn how to share?"

To illustrate the lack of brotherly love, the archbishop relates a wry Rhineland joke. "Why do the Chinese smile? Because they still have the Wall. It is dreadful, dreadful. We should be saying: 'Why are we Germans smiling? Because we no longer have the Wall.'"

The disappointments of reunification have been aggravated by false perceptions in both parts of Germany, he says. "The politicians completely underestimated the situation."

East Germans, too, were unprepared for the difficulties of adjustment because they expected "paradise" from the west. "As a person from the east I really believed that, when we had got rid of communism, all our problems would be over."

"We East German citizens knew West Germany solely from television. We thought what we saw in the advertisements was the normal lifestyle of ordinary West Germans." When he went to West Berlin in 1980 for the first time to visit priests, he says, "I was surprised at the modesty of their lives. It did not tally with what I had seen in TV advertisements."

As to the future, the archbishop says Germany must no longer measure its success "by the size of wage packets", but must pool its "spiritual potential". His eyes glint. "I sit here before you as a man of the gospel, and I will deliver what I have into the hand of the Lord."

How many will rally to his crusade? The archbishop's gaze is fixed beyond earthly things. This is a man for whom the stringent pursuit of virtue offers, on high, its own reward.



David Sheppard, bishop of Liverpool, is an ad hominatory priest, but not a dismal one. He has the churchman's ability to see light amid the darkness.

Displaying the steadiness with which he played cricket for England between 1950 and 1963, the bishop has warned Conservative governments for more than a decade about the depredations of unemployment.

The Church of England's standard-bearer in the city since 1976, he declared in a celebrated BBC lecture in 1984 that poverty and unemployment were causing "sick human relationships" and "a deeply divided nation".

Now, as he analyses the latest long UK recession, the bishop spots a small, perverse chunk of optimism.

People living in middle-class, non-manufacturing areas of Britain, who were mostly insulated from the previous downturn in the early 1980s, this time round have borne their share of joblessness. So, although no one (including the bishop) has a miracle solution for unemployment, at least nearly everyone now knows what it is like.

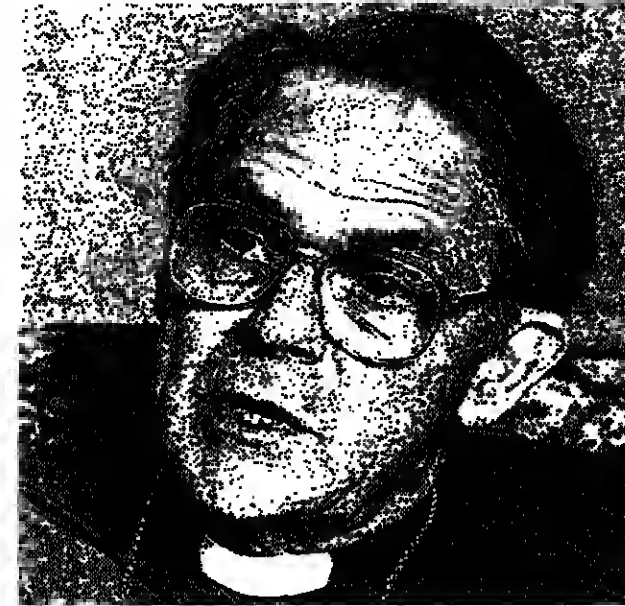
"In a curious sense this recession has something more hopeful about it. In that it is affecting a wider circle of people. This time, I think there's a better chance that the nation might accept that unemployment is a real problem. Before, I thought the nation was sweeping the problem away."

In the drawing room of his six Victorian residence, he illustrates the point with a tale from a relatively prosperous district in his diocese. "Someone told me the other day of a well-educated young man from that parish who's just written off for his 300th job."

He is a grey-haired 64, but there is still a hint of batsman's muscle rippling beneath his purple bishop's shirt. He confesses that, at his bedside (presumably next to a copy of Good Book), he keeps a copy of the Wisden cricket almanac.

If he were prime minister, how would the bishop of Liverpool bring down unemployment? "Sharing work round", he says, would be high on the agenda. "We are going enormously in the opposite direction. We're getting a pattern

## Nation in need of team spirit



David Sheppard: would solve unemployment by sharing out work

where there's a small core staff, working enormously hard with very high salaries. Around them, there's a broad group of people moving jobs constantly often in part-time jobs. And, around them, there are people outside the work structure altogether."

"In quite a lot of big outer estates in Merseyside we're into the second or third generation of mass unemployment. From a Christian perspective, what is apparent is the sheer waste of human gifts, and destructiveness of human dignity."

"There is a 'blindly obvious connection' between unemployment and crime. Young people need role models. 'If they don't see men, younger or older ones, having creative things to do, you've

taken away the greatest weapon for stopping boredom and destructive behaviour."

After 18 years on Merseyside, the bishop sees the world through Liverpoolian eyes. As a result of long-term economic stagnation, he points out how Liverpool's black community has far more difficulty than in London in breaking down jobs barriers.

"The year I came here, they picked the stores in the centre of Liverpool, saying black people don't get jobs here. Nothing has changed too much."

A group of young people from here went to London for the weekend and came back eyes shining, saying: "Black people drive buses in London. I've not yet seen a black bus driver here."

There is a difficult note to

his conversation. Perhaps his lack of directness is partly because bishops know that, if they want to have any influence at all in notoriously secular Britain, they cannot simply hang on the table and talk about God but have to employ the more diffuse language of market economics.

Has the Church been too hesitant in speaking out about the battle between good and evil? "I do think there is a struggle and always has been. I think the Church sometimes has been a little diffident. I don't want to produce crude statements. Nevertheless I do believe there are forces of evil." He points to the former Yugoslavia. "It's frightening how a group can lead people into destructive attitudes where an individual might not."

Three years ago, many people thought Bishop Sheppard's brand of gentlemanly populism would make him the ideal candidate to take over as archbishop of Canterbury on the retirement of Robert Runcie. Why didn't he get the job?

Slightly embarrassed, he replies: "There was a lot of talk about it. My wife and I said: 'Come on, we'd better stop and think what we would do.' Having taken a proper look, I thought: 'If that comes my way, yes, I can see the challenge and excitement as well as the rough stuff.' However, when Bishop George Carey was chosen, he says, 'I felt an overriding sense of relief'."

The debate about the Lambeth Palace succession came at around the same time as a new incumbent moved to 10 Downing Street. He is pleased that John Major has abandoned some of the more simplistic nostrums of his predecessor.

"The aggressive confidence that wealth creation is all and, if only we can produce that, it will trickle down through society, and the market will decide the doctrinaire view of that has softened very greatly, although it hasn't all gone. I don't deny the strength of market forces, and I'm absolutely clear you can't ignore them. But we need to build in other forces, of a social market if you like, with other priorities."

How these priorities should be reordered is not within the bishop's gift to determine. He can put his finger on society's ills. Healing them is a matter for the wider world beyond his pulpit.

This is the fourth of an occasional series on EC personalities

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## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Where VW was badly advised in GM affair

From Mr Vic Heylen.

Messrs Piëch and López have been conducting business so far in in any way representative of the way they intend to run the company, the future of Volkswagen looks very bleak indeed.

In their handling of the Der Spiegel affair they simply broke the most elementary rules of corporate public relations behaviour.

First, they disregarded the basic rule, especially in the automotive industry, never to react in this way to articles in the press. Then they topped it off by asking the courts to order the magazine to be printed and, even worse, pressed for a gag order.

Mr Piëch almost unbelievably failed to foresee Der Spiegel's very predictable reaction. It asked and obtained from the court a suspension of the ban and, by doing so, allowed the magazine to present sufficient evidence to prove the substance of their allegations before the courts.

For Opel it was an unexpected opportunity that allowed it to submit its case practically on its own terms. It eagerly offered Der Spiegel the assistance of 22 GM and Opel witnesses and four legal experts. All volunteers, as they claim.

Although Der Spiegel has a solid reputation for investigative reporting, it is difficult to believe that it did not get any help from Opel when researching the story.

It therefore looks very much as if Piëch, with both eyes wide open, fell into a trap set by Opel. "I was badly advised," Piëch later ruefully remarked.

An example of very poor managerial judgment from a man who claims to be the only one qualified to save the embattled company. And with the help of a man who increasingly seems to be responsible for this "fine mess" he got Volkswagen in to."

Managing director, Analysts Auditor, Scheffelssteeng 12, 2000 Antwerp, Belgium

### No special pay deal for top civil servants

From Ms Elizabeth Symons.

Sir, Your piece on top civil service pay seems to have left some with the idea that the senior civil service is being treated differently from other public sector workers ("Performance pay deal could give top civil servants 3.5 per cent", August 10).

The fact is that the government pay policy has been applied rigorously to all civil servants, irrespective of grade. As far as the senior civil service is concerned, an addition of 1.25 per cent has been added to the pay bill as a result of this year's negotiations. Unlike their colleagues elsewhere in the civil services, senior civil servants no longer have automatic increments, and thus, in order for the pay bill to stay cost neutral in any one year, 2 per cent is available for performance-related pay.

These arrangements have been strongly resisted in many parts of the public sector, but of course as a result of their use some civil servants will be paid no increase this year; all will be paid increases commensurate with what their managers judge to be their contribution to the performance of their department or agency.

The implication that somehow the senior civil service has got off lightly is both misleading and unfair. There will be no automatic increase this year for any civil servant covered by the recently negotiated package.

Elizabeth Symons, general secretary, Association of First Division Civil Servants, 2 Caxton Street, London SW1H 9QH

From Mr Stewart Cohen.

Sir, There seems to be a kind of death wish in the way in which the government has handled the issue of VAT on domestic fuel.

The Treasury and the Bank of England have both made the case for the unpalatable necessity for increasing taxes; and the most effective way to raise the substantial sums involved must of necessity be by extending the scope of VAT.

Although the extension of VAT to domestic fuel is one of the more palatable options. The need with this option must be to protect those on low incomes. The method chosen of promising adjustments in benefits paid to compensate for the imposition of VAT on domestic fuel has had all the predictable reactions and has been shown to be politically inept.

A simple but effective way to overcome the problem would be to institute a *de minimis* rule for all fuel bills so that if the total quarterly bill were below a figure of, say, £50 no VAT would be charged and, if above, full VAT would be chargeable.

In effect, the relief is at the point of sale and as such is the most effective and cheap way of providing relief. Stewart Cohen, 34 Carlton House Terrace, London SW1Y 5AP

### A different royal rogue

From Mr Mike Solosy.

Sir, In Antony Thorncroft's article, "Behind the Queen's curtains" (August 8), he states that Queen Victoria's father was the Duke of Kent. I can only assume that the splendour of his surroundings at Buckingham Palace temporarily distracted him since her father was, in fact, the Duke of Kent.

At the time of her birth, I believe the Duke of York was a character by the name of Frederick and was the Duke of Kent's brother. As for Thorncroft's epithet of rogue, I guess that is a matter for personal interpretation, although one wonders whether he was referring to the Duke of Kent or the Duke of York.

Mike Solosy, Sirekhan & 3060 Berlin, Belgium

### An effective way to relieve fuel VAT burden

From Mr Stewart Cohen.

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From Mr A M Irvani.

Sir, The defence by Marks and Spencer chairman Sir Richard Greenbury (Letters, August 6), of its plans for Brooks Brothers and the large market available for its products, demographic factors should not impede sustainable growth. "...while of course maintaining the loyalty of its more traditional customers," continues Sir Richard. "We are succeeding with this policy."

This confident assessment of success seems, to put it mildly, rather premature.

More generally, Sir Richard's letter opens an interesting debate about marketing strategy. Should companies that market products to a well-defined group of customers and

enjoy their loyalty continue to maintain the integrity of their position, or should they be receptive to change? Conventional wisdom is that companies must be sensitive to the markets they serve and should attempt to optimise the preferences of their target customers as successfully as possible. The recently fashionable view is that firms should lead their customers rather than follow.

The long-term consequences of Sir Richard's decisions are not yet clear. What is beyond doubt, however, is that I have lost a cherished supplier of high-quality products.

A M Irvani, Osoykor, 27 Thompson Street, London EC2N 2AN



## FINANCIAL TIMES

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Friday August 13 1993

## A scrap over aluminium

BACK IN March, when the west was in one of its periodic funks about Russia, the European Commission extended a gesture of support for President Boris Yeltsin: an offer to negotiate an eventual free trade zone with his country. It was a generous acknowledgment of the overriding importance of exports to Russian economic reform. Last Saturday, the Commission sent out a contradictory signal by discreetly announcing a strict limit on imports of aluminium from the Commonwealth of Independent States until November.

Is the EC - as a furious Russian government and industry allege - now showing the true meaning of its free trade promises? Does Saturday's announcement signify, as did previous moves against eastern European steel and agricultural goods, that Brussels is prepared to open up its markets to all products apart from those in which the countries to the east have a real comparative advantage? The answer in this case, at least for now, is not necessarily. The Commission insists that it had to act against a sudden and highly disruptive surge of heavily subsidised aluminium exports from the CIS. The import restriction, it says, constitutes a temporary measure, designed to secure for Europe's aluminium industry a "breathing space" in which negotiations can take place with the governments concerned.

That low-cost CIS exports - produced with industriously cheap energy and highly subsidised credit - are disrupting the west European market is not in doubt. Between 1989 and 1992, as the aluminium-using industries of Russia and the other republics collapsed, imports jumped from virtually nothing to an estimated 9 per cent

of EC consumption. This year, as the quantity has grown further, prices have tumbled, stocks have soared and Community producers have cried out for assistance.

Because Russia has yet to be admitted to GATT, its trading partners have no ground rules under which to seek redress. But were Russia a member, the EC might well have a case. Indeed, the Commission says it has been trying to achieve an accord establishing transparent pricing and orderly marketing - as well as providing for EC assistance towards modernisation of CIS aluminium smelters. Such is the chaos in Moscow, however, that it has not even been able to obtain precise statistics on the volume of aluminium now leaving the former Soviet Union.

Nevertheless, it is questionable whether this week's move represents the most effective way of securing such an agreement. In the first place, it seems to have angered other aluminium producers almost as much as those in the CIS itself. The US industry, in particular, fears that the flood of cheap metal will simply be diverted from western Europe in its direction. What is needed is multilateral co-operation, not unilateral enforcement. Second, there is a danger that short-term sanctions could turn into longer-term protection for an industry that still needs to cut costs in western Europe and America.

Western governments and industries are bound to be unsettled by Russia's transition to a market economy. But in such an economy, Russia will almost certainly have an advantage in aluminium production. Rather than seeking to insulate the EC from the side-effects, the Commission should make speeding that transition its highest priority.

## Fishing rights

BRITAIN, in common with many nations, has too many fishermen chasing too few fish. Measures to curb overfishing are unavoidable, otherwise the sea will be progressively robbed of its wealth and the industry will lurch from crisis to crisis. This much is accepted by government and industry alike.

But all schemes to curb overfishing are not equally good, as today's House of Commons agriculture committee's report makes clear. The committee urges the government to abandon a plan, which has already been suspended following a campaign by fishermen, to require trawlers to be tied up in port for half the year or more. Instead, a twin-track approach should be adopted, whereby fishermen would be bought out of the industry and fishing rights then sold to those who remained.

This proposal has much to commend it. Although the government already has a £25m scheme to buy fishermen out and decommission their boats, the committee criticises it as halfhearted. A more generous approach would mean there was no need for fishermen to remain idle for half the year, while insurance and other fixed costs of maintaining boats mounted. Those bought out of the industry could seek productive employment elsewhere.

The main drawback of paying fishermen to sell their boats is, of course, money. But this is where

the committee's second proposal of selling fishermen individual transferable quotas (ITQs), specifying the amount of fish they were allowed to catch, could come in. The cash raised could pay for decommissioning costs.

While fishermen would balk at having to pay for fishing rights which they previously received free, the plan would be sweetened if paired with a generous decommissioning scheme. It might also be less unpalatable than the government's tie-up plan.

Introducing ITQs would have other benefits too. Because fishing rights could be traded, fishermen who needed bigger quotas would be able to buy them from those with spare capacity. Such a system, already successfully implemented in Australia and New Zealand, could also curb overfishing and boost incomes of those who remained in the industry.

Critics of ITQs say they could not be introduced in the UK alone because of the European Community's common fisheries policy. But this ignores the fact that once the Community's annual fishing catch is divided between nations, each country is free to distribute quotas to its fishermen however it chooses. While it would be desirable if other European Community countries embraced ITQs as well, that is no reason for Britain holding back. Mrs Gillian Shepherd, the agriculture secretary, should take note.

## Failure pays

ONE OF THE yardsticks against which top people's remuneration packages should be judged is whether the directors feel the pinch when the company underperforms. Yet a study this week from Incomes Data Services confirms once again that the balance between risk and reward in the typical executive contract is all too often weighed in favour of the director against the company and its shareholders.

Not only do executives on the usual three-year rolling contracts leave with an average of two years' pay in their pockets regardless of performance; many also take away other perks, including cars and compensation for expected bonus payments. Worse, the size of the pay-off often bears an inverse relation to merit because companies base the settlement on a calculation of what a law court might award, taking into account the director's re-employment prospects. Thus, the more public and egregious the person's failure, the lower the chances of a new job and the higher the settlement.

Not all who leave have done anything wrong. Contracts are often broken because the job has been taken over. But even in these cases a two-year pay-off seems excessive, as most senior executives get new jobs five months after losing their old one. Supporters of three-year rolling contracts argue that legally

enforceable tenure encourages continuity in the boardroom and prevents managers from taking short-term decisions. But this does not square with the real world. Directors of Marks & Spencer, P & O and Abbey National, to name but three less than obvious short-termists, do not have rolling contracts of more than a year.

A second argument is that good managers are in short supply and will only move if they are promised security. Yet it is hard to believe that the really scarce managers are the ones who need this kind of security, let alone the reassurance that they will be disproportionately rewarded if they fail.

The best way to ensure commitment for the long term is to tie the overall pay package to long-term performance. The simple answer to the contract dilemma is to make one-year contracts the norm. Postal, which manages the pension fund investments of British Telecom and the Post Office, has already applied pressure to larger British companies on this score. The new chief executive of Booker was hired to look into account Postal's requirements. But the chain of accountability from management to shareholder still has weak links. Better disclosure of remuneration, severance and pension packages would help institutional shareholders apply pressure where it is most needed.

A sure sign of the Japanese economy's poor health has been the unusual reluctance of most leading companies to court their customers and politicians with the traditional mid-year gift, an ornately wrapped melon, a box of pale Japanese cherries or a quaint collection of different coffees and milk substitutes.

Instead of the cherries, Mr Morihiro Hosokawa, the new prime minister, was presented this week with an economy sliding into the second phase of a "double-dip" downturn, as well as an embarrassingly large trade surplus and an irrepressible yen, which closed yesterday in Tokyo at a record ¥103.37 to the dollar.

Mr Hosokawa, who wants international intervention to calm the currency markets, fears the yen's rapid appreciation will delay economic recovery by putting extra pressure on companies already having a bad year. The yen surge has also rekindled the mid-1980s debate over whether Japanese industry will be "hollowed out" by a shift of production capacity to cheaper locations such as Malaysia and China.

The concerns about industrial decline are probably overdone, but Japanese companies are facing their fourth consecutive year of falling profits and are looking for new ways to cut costs. In the 1980s, the effects of a strong yen were countered by frenetic asset price rises and profit growth of the "bubble" years. In the early 1990s, companies are still sweating out the "bubble" excesses and must cope with a currency close to the important threshold of ¥100 to the dollar.

Mr Hosokawa and his seven-party coalition government will need to address the economy quickly. There are calls from industry to cut official interest rates and reduce income taxes, and counter-arguments from the finance ministry that allowing tax revenues have left the country unable to afford another stimulatory spending package or tax relief.

A few months ago, in the spring, Japan's economic planners were confident that the buds of recovery were emerging. One senior official even warned that the economy was in danger of "overheating". New car sales rose in March for the first time in 14 months, Tokyo stock prices had bounced higher, and there were stirrings in the housing market.

But a fresh flow of unfavourable statistics suggests that the early optimism was unwarranted. New car sales in July slipped 10.8 per cent from the same month a year ago, marking four months of double-digit falls, the longest decline since 1974. The ratio of job offers to applicants over the month of June slipped from 81:100 to 74:100.



## PERSONAL VIEW

Recent proposals to meet the continuing prospect of 3m jobs unemployed in the UK have focused on the labour market and in particular on making the long-term unemployed more attractive to employers via subsidies. The long-term unemployed now make up almost 1.1m of the 2.91m jobless total announced yesterday. Therefore they do bear a disproportionate part of the burden of mass joblessness.

It is hard to believe, however, that the fundamental block on expansion of the economy lies in the capacity for useful work of those now unemployed. With a rapid expansion of demand, employment would rise rapidly just as it did in the late 1980s; without it, improvements in the job market would be meagre.

The prospects for an expansion of demand are much less favourable than a decade ago. The legacy of a boom, based on an explosion of private sector credit, is still being

The yen's surge is adding to the Japanese government's economic problems, writes Robert Thomson

## Unwelcome gifts for the new team

Jobs offered by manufacturing industry in June fell 26.3 per cent from a year earlier.

The weakening of the job market has eroded consumer confidence. Cars aside, sales at department stores in June were 8.9 per cent lower, the largest year-on-year fall on record. It was a sign that consumers are spending more in discount shops rather than in department stores, which tend to deal in well-known brands and high-quality goods.

Bank of Japan officials say the two most worrisome economic trends are the continuing fall in consumption and reductions in capital spending by Japanese companies, some of which invested recklessly during the late 1980s, when funds were raised at almost zero cost and high return on investment was taken for granted.

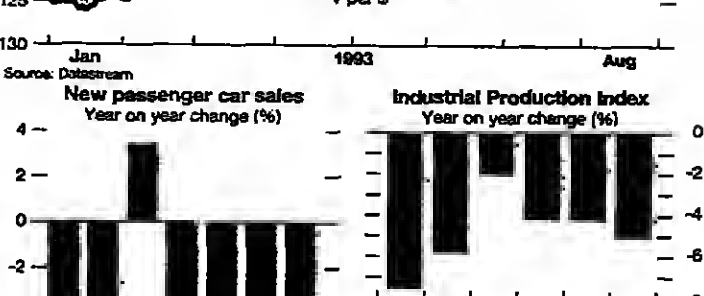
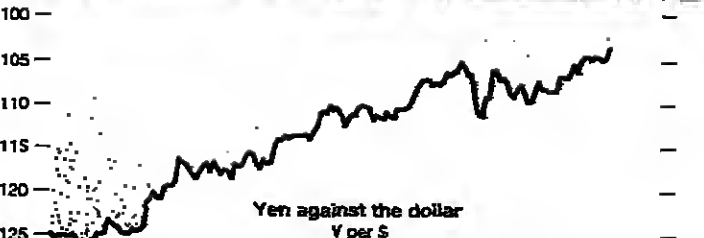
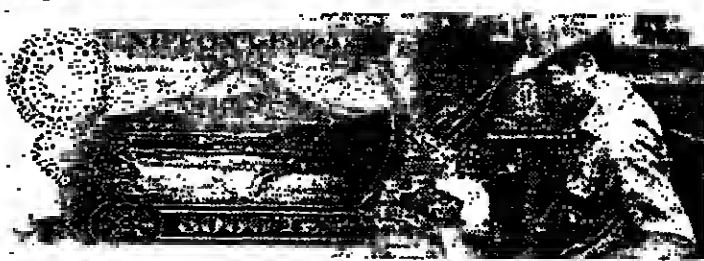
One result of cheap money was speculative stock and property investments which produced huge losses for companies and bankers, while manufacturers were tempted into an unnecessary expansion of production capacity within Japan. New machinery orders rose 24.4 per cent in 1988, but investment in plant and equipment fell 5.7 per cent last year and Nomura Research Institute expects a further 4.8 per cent contraction this year.

In a just released quarterly outlook, the Bank of Japan said manufacturers are "adjusting" to the environment of less rapid growth, and "building up the potential for future investment expansion". But the bank also identified one potential obstacle to this recovery, yen appreciation.

The current stagnant investment in the assembly industry is a reflection of low profitability in the industry, and the possibility that a further appreciation of the yen could trigger a massive substitution of overseas investment for domestic production cannot be ruled out," the bank warned.

The assessment was made before the yen resumed its rise this month. Closing last year at ¥124.85 to the dollar, the yen rose sharply in January and then calmed in March. It has appreciated 17 per cent so far this year, in spite of intervention by the Bank of Japan and the govern-

## Japan: hard times on the eastern front



ment's plea that the movements "do not reflect the economy's fundamentals".

There are various theories for the yen's strength. Currency traders say the trade surplus, which rose 28 per cent in July, is an important cause, and repatriation of foreign funds by Japanese institutions is said to be a trigger for speculative movements. According to Mr Yoichi Inaba, economic research director at the Japan Development Bank, yen appreciation was generally

expected, but "not this quickly".

"The pace of appreciation is too fast, and there will be serious costs for the Japanese economy," Mr Inaba said. "We can see 'hollowing out' in the electric machinery and audio-visual equipment industries. Many companies already have factories in east Asia and can increase capacity there. The big impact will be on employment on Japan."

His assessment suggests the yen's current movements are undermining consumer confidence and job

security, and raise the medium-term possibility of lay-offs on a scale not seen since the second world war. As Mr Inaba put it: "Another year of falling profits and companies will have to start getting rid of excess workers in middle management."

Companies are already shifting production to east Asia, but hoping to keep the highest value-added products at home. Canon is increasing camera production in China, Yuesha is doubling its production of car batteries in Thailand over the next two years, and Ricoh this week announced a new facsimile machine venture in Shanghai.

These and other manufacturers, their workforces, and the Japanese economy would be under greater pressure if it were not for rapid growth in China and elsewhere in east Asia. Japanese video camera exports to China quadrupled in the first half of this year, passenger car exports were eight times larger, and steel exports doubled, while total exports rose 51.2 per cent.

Attempts to cool the Chinese economy could, however, slow Japanese export growth later this year, while exports to other countries will be hurt by the higher price tags that accompany yen appreciation.

Mr Masaru Yoshitomi, vice-chairman of the Long-Term Credit Bank of Japan Research Institute, estimates that a 15 per cent appreciation could lead to a 5 per cent fall in exports and a 0.5 per cent decline in economic growth, generally expected to be 1.5 per cent in the year to March.

"If you have strong growth, then a 0.5 per cent decline does not matter so much, but when you already have a sluggish economy, the impact is not negligible," said Mr Yoshitomi, who retired from the government's Economic Planning Agency last year.

The agency is being remarkably optimistic in the face of economic downturn and yen appreciation, as the new prime minister has discovered. Japan's official target for growth, produced by the agency, is 3.3 per cent which, it argues, is "still valid" on the grounds that "if the target is higher, the effort will be greater".

Mr Hosokawa needs to gather fresh opinions. If he believes the official advice, the economy is set to recover later this year and will require no initiatives such as income tax cuts or an interest rate reduction or a fresh spending package to stimulate growth.

However, Japanese companies do not seem to agree: they have not abandoned their gift-giving traditions without good economic cause.

## Mobilising the long-term jobless

Recent proposals to meet the continuing prospect of 3m jobs unemployed in the UK have focused on the labour market and in particular on making the long-term unemployed more attractive to employers via subsidies. The long-term unemployed now make up almost 1.1m of the 2.91m jobless total announced yesterday. Therefore they do bear a disproportionate part of the burden of mass joblessness.

It is hard to believe, however, that the fundamental block on expansion of the economy lies in the capacity for useful work of those now unemployed. With a rapid expansion of demand, employment would rise rapidly just as it did in the late 1980s; without it, improvements in the job market would be meagre.

The prospects for an expansion of demand are much less favourable than a decade ago. The legacy of a boom, based on an explosion of private sector credit, is still being

digested. The traditional Keynesian policy of fiscal expansion appears to be ruled out by the size of the budget deficit. The balance of payments is very precarious, with the overseas deficit projected at 4 per cent of gross domestic product this year and next; with a marginal propensity to import of 40 per cent, a fast enough expansion to provide work for large numbers would lead to an unsustainable deterioration in the current account.

A Europe-wide expansion would ease the payments problems of individual countries, but seems a distant prospect. Supply-side policies to bolster the traded-goods sector, as advocated by the Labour party, would at best be very slow to take effect.

Does the balance of payments constraint imply a ceiling on the generation of jobs? Not necessarily. Expanding employment in the public services and on infrastructural investment involves few additional imports. The removal of people from dole queues into work would increase their purchasing power. If total consumption expanded, according to the classic "multi-

plier", imports would increase rapidly. To prevent this, the gains in purchasing power of those who find jobs must be transferred from other consumers. This would be achieved by the government expenditure being financed by increased taxation. Those presently at work would suffer some cut in consumption.

**The balance of payments constraint does not necessarily imply a ceiling on the generation of jobs**

balanced by gains for those currently unemployed. Thus there would be no increase in imports for personal consumption.

If balance of payments weakness rules out expanding demand across the board, then Keynes's "How to pay for the war" - where he analysed how to restrain consumption while employment was expanded in the munitions industries and the armed forces - should be reconsidered.

With import controls no longer a credible option, and with the likelihood that trading partners would object equally to further public services extended far beyond those who find jobs. In the early 1940s, people were prepared to accept much more severe restraint on their consumption in order to further the war effort; an important lesson from that experience is that sacrifices must be seen to be fairly distributed.

The fundamental point is that an expansion of public expenditure, with progressive increases in taxation and savings on the dole providing the finance, is a straightforward and predictable way of tackling mass unemployment. Indeed, under present circumstances, it is probably the only way.

The cost to the exchequer of unemployment (benefits paid and tax lost) means that the net cost of expanding public service employment (in terms of higher tax rates and thus reduced consumption of those already employed) is far less than the gross cost. With strong support for improved public services, holding back the growth of real consumption may not be seriously inflationary.

The issue is whether popular support can be gained for a policy of eliminating mass unemployment.

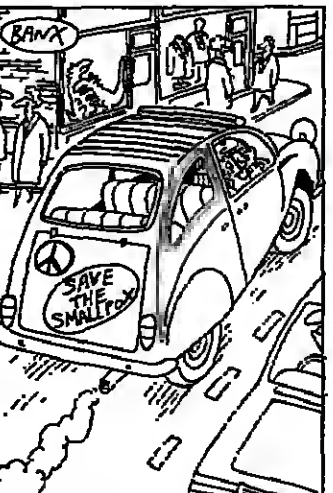
The costs of doing so will have to be borne broadly in terms of restraint on personal consumption, though the benefits from improved public services extend far beyond those who find jobs. In the early 1940s, people were prepared to accept much more severe restraint on their consumption in order to further the war effort; an important lesson from that experience is that sacrifices must be seen to be fairly distributed.

The fundamental point is that an expansion of public expenditure, with progressive increases in taxation and savings on the dole providing the finance, is a straightforward and predictable way of tackling mass unemployment. Indeed, under present circumstances, it is probably the only way.

**Andrew Glyn  
Bob Rowthorn**

The authors are, respectively, a tutor in economics at Corpus Christi College, Oxford, and professor of economics at Cambridge University

## OBSERVER



objection, your honour.

It had nothing to do with the four months of testimony or the hundreds of boxes of documents. Much more down to earth, Altman's defence attorney felt sure that one of the jurors, an attractive, single, thirtysomething from New York's upper west side, had made eyes at the prosecutor, Manhattan district attorney and Chevy Chase lookalike John Moscow.

Altman's lawyer complained that the juror had given Moscow "long, lingering looks" and "mouthed bellos" during the five-month trial. Moscow, nicknamed the "Romeo DA" after he married a juror 12 years ago, disagreed strongly and

said that the juror was just being "attentive".

However, the judge had also noticed the juror's "peculiar behaviour and strange body language". She was summarily dismissed.

## Near thing

Calling all intrepid travellers who like to get close to the action. China's state-run space industry, suffering from shrinking government subsidies, is offering what could well be a unique opportunity to witness at close hand its Long March rocket take-off from Sichuan province.

But Observer will not be first in the queue. Even at the European Space Agency's launch site in French Guiana, privileged onlookers at last year's launch had to stay at least 4km away during take-off in case the thing blew up.

And that was nearer than safety regulations would allow at Cape Canaveral, explained an official. "Of course, it's different with the Russians and Chinese these days. They let you get as close as you like."

## The Midas touch

So much for the idea that Swiss bankers are conservative sorts. The latest letter to shareholders from Union Bank of Switzerland, flagship of the country's banking

community, is filled with superlatives which would make any self-respecting public relations black cringe.

Anyone can see that an 89 per cent jump in UBS's first-half net income is jolly good without having to be reminded that "UBS even managed to outshine its dazzling performance in the fourth quarter of 1992".

UBS's Gertrud Erismann admitted the language might be thought a bit over the top, but "we feel that the result is so positive that it would not be honest not to be positive".

But despite the "outstanding financial results", UBS did have a few problems. "It is hard to understand," says the letter from the board of directors, "how an employee of our Chiasso branch... could embezzle roughly 13 tons of gold over an extended period of time."

Easy, the bosses were too busy making record profits.

**Grouse about**

Faced with the prospect of hundreds of commuters venting their spleen in their disappointment at this year's wash-out of a Glorious Twelfth, British Rail was taking no chances yesterday.

"Anyone found shooting rubbish on these premises will be prosecuted..." announced a notice under the arches by Waterloo station.







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# FINANCIAL TIMES COMPANIES & MARKETS

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Friday August 13 1993

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## INSIDE

### StanChart result damps fears

Shares in Standard Chartered, the international banking group, leapt after it disclosed a sharp rise in first half profits helped by buoyant Asia Pacific operations and eased fears that it would need a rights issue. Page 19

### Lighter KLM rises slightly

First quarter net profits at KLM Royal Dutch Airlines were slightly up at Fl 40m (\$20.5m) for the April-June period from Fl 38m a year earlier, mainly because KLM no longer carries the losses of its 20 per cent-owned US airline, Northwest. Page 14

### Lufthansa re-enters profit zone

German national airline Lufthansa returned to the black in the second quarter with pre-tax profits of DM24m (\$13.9m) as its cost-cutting programme started to show results. Page 14

### 'Wait and see' from Thomson

Thomson Corporation, the Canadian-controlled travel and publishing group, reported slightly improved second quarter earnings but warned that a true performance picture would emerge only later in the year. Page 15

### Uprooting foresters

The upheaval in Canada's forestry sector is shaking many of the biggest companies to their roots, with a growing list of forestry companies emerging from the embrace of a controlling shareholder into the more bracing environment of a widely-held public company. Page 15

### Royal recovers but disappoints

Royal Insurance reported a sharp recovery, posting pre-tax profits of £52m (\$77.5m) for the first six months of 1993 compared to a loss of £79m last year, though investors seemed disappointed with the result. Page 18

### Warning for Wall Street

Foreign & Colonial Investment Trust warned yesterday that "Wall Street may begin to falter", as it announced a 2.7 per cent increase in its interim dividend to 1.15p. But the trust was reasonably hopeful about other markets. Page 18

### New elements in copper market

The huge weight of money available to market operators is having an increasing impact on the London Metal Exchange's "flagship" copper market, according to one analyst. He says that "the price's behaviour has tended to become increasingly divorced from the perceived levels of physical supply and demand". Page 24

### Fine times in Finland

Finland's stock market has continued its phenomenal performance, saying that many shares still look cheap on international comparisons. There has also been heavy foreign buying following the relaxation of restrictions on foreign share ownership at the start of the year. Back Page

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### Chief price changes yesterday

FRANKFURT (DM)		Rises		Falls	
200	800 + 55	Chab Med	447.3 + 18	Chab Med	447.3 + 18
200	388.8 + 8.3	Scalor Int	591 + 31	Scalor Int	591 + 31
200	320.5 + 11.5	Imro de France	580 + 47	Imro de France	580 + 47
200	420.1 + 16.3	Silco	380 + 25	Silco	380 + 25
200	218 + 12.5	Worms Gd	308 + 18	Worms Gd	308 + 18
200	580 - 7	Paffa	380 - 13	Paffa	380 - 13
200	580 - 7	UBS Global	380 - 13	UBS Global	380 - 13
200	580 - 7	UBS Global	380 - 13	UBS Global	380 - 13
200	580 - 7	UBS Global	380 - 13	UBS Global	380 - 13

NEW YORK (\$)		Rises		Falls	
200	236 + 14	Amstar	580 + 25	Amstar	580 + 25
200	236 + 14	Amstar	580 + 25	Amstar	580 + 25
200	236 + 14	Amstar	580 + 25	Amstar	580 + 25
200	236 + 14	Amstar	580 + 25	Amstar	580 + 25

LONDON (Pence)		Rises		Falls	
200	68 + 17	Relyon	205 + 11	Relyon	205 + 11
200	185 + 2	Sainsbury	948 + 51	Sainsbury	948 + 51
200	225 + 21	Yorkshire TV	218 + 19	Yorkshire TV	218 + 19
200	104 + 17	Paffa	222 - 9	Paffa	222 - 9
200	718 + 23	Logica	222 - 9	Logica	222 - 9
200	213 + 12	Royal Ind	222 - 9	Royal Ind	222 - 9
200	167 + 12	Thorn EMI	531 - 31	Thorn EMI	531 - 31
200	553 + 23	Transfer Tech	470 - 18	Transfer Tech	470 - 18

## Mirror Group's shares rise on report

By Raymond Snoddy

MIRROR Group Newspapers is still substantially undervalued, according to a study on the popular newspaper group's prospects by SG Warburg Securities.

Warburg expects that, despite the problems still remaining from the late Robert Maxwell's ownership, margins will be improved by 2 per cent to 23 per cent this year and a further 2 per cent next year.

The share price of the company - which publishes the Daily Mirror, Sunday Mirror and People, as well as the Scottish Daily Record and Sunday Mail - yesterday gained 8p to close at 157p.

Warburg, which is MGN's brokers, expected that, allowing for the future resumption of dividend payments, the company would come more into line with a normal media sector rating. This would imply a share price of 220p in 1994, it said.

The positive report on the company comes at a time of speculation that Mr John Talbot, of Arthur Andersen, the administrator to the private Maxwell companies, might be about to move on the disposal of 54.8 per cent of the company. This stake is effectively owned by a number of banks which lent to Maxwell.

A private placing in the autumn is seen as the most likely outcome, although it is not clear whether a final decision has been taken.

In her report on MGN, Ms Lorna Tibbani, Warburg's media analyst, argues that the Daily Mirror has been only marginally hit by the price war with The Sun.

The report suggests that the underlying position, including normal seasonal variations, will show only a 0.6 per cent circulation fall in July. The Sun, which cut its cover price by 5p to 20p, will show a rise of only 123,000 copies, or 3.5 per cent, in average daily sales.

Ms Tibbani argues that there now exists an opportunity for the new management, under chief executive Mr David Montgomery, to inculcate a culture of enterprise and efficiency to "secure consistent earnings growth for the foreseeable future".

Richmond, controlled by the Bapet family of South Africa, wants to split off its tobacco arm, Rothmans International, and combine its two luxury goods units, Luxco and Dunhill, into Vendôme. Dunhill is 57 per cent-owned by Rothmans.

Dunhill said that because 95 per cent of its business arose outside the UK, it hedged future income up to 80 months ahead.

Currency movements - notably the strengthening of the yen - meant its sterling profits for 1993-94 and 1994-95 would be £18m (\$27.9m) and £13m lower than they would have been without the hedging.

Operating profits were also likely to fall this year.

Details, Page 17; Lex, Page 12

## UBS powers ahead by 89%

By Ian Rodger in Vienna

UNION Bank of Switzerland, one of the world's strongest commercial banks, has reported an 89 per cent jump in net income to SFr1.29bn (\$845m) in the first half.

The bank said the result demonstrated its "exceptional earning power", as buoyant securities and volatile foreign exchange markets combined with favourable interest rate trends.

It also expected a "very good result" in the second half, although it would be "hazardous" to predict that it would match the first half.

The interim profit enabled UBS

comfortably to surpass its mid-1990s target of achieving a 10 per cent return on equity. With a return of about 13 per cent, it is one of the world's most profitable big banking groups as well as the soundest.

Its tier one capital ratio of nearly 8 per cent at the end of last year was significantly higher than that of other large commercial banks.

The profit surge was powered by income from trading, which soared 144 per cent to SFr1.55bn. Net interest income gained only 10.8 per cent to SFr1.8bn and commission income was up 18.7 per cent, also to SFr1.8bn.

The contribution of foreign out-

lets, which are active only in wholesale banking and trading, jumped to 40 per cent of total net income from just over 20 per cent in the first half of last year.

The group said its European region, which is dominated by offices in London, produced about 60 per cent of the foreign contribution, with 20 per cent coming from both North America and Asia.

Thanks to its top credit rating, UBS has become one of the main players in the world's futures and options markets. Its volume of derivative products amounted to SFr2.07bn at the end of June, 25.5 per cent higher than at the end of last year. The average risk

on this volume was now equivalent to about 30 per cent of the group's balance sheet risks.

The group's total assets stood at SFr290.7bn, just 9 per cent above the December figure.

Customer loans grew only 3 per cent to SFr155.6bn, and most of the growth came from outside recessive Switzerland.

Provisions of SFr1.07bn were made for bad loans, a third up on the same period last year, which was "causing some concern". But UBS's reference to "our conservative policy" and its description of the provisions as "generous" signalled that it was, as usual, stuffing away as much as possible.

Observer, Page 13

## Peril of losing touch with the real world

Share prices are soaring despite gloom in industry. Tony Jackson asks if the UK market is heading for a fall

Two headlines on the front page of yesterday's FT said it all. *Manufacturing recovery wavers*, said the first FT-SE 100 breaks 3,000 level, added the second. To the outside eye, the stock market often seems to live in an unreal world. In a week of gloomy industrial news and soaring share prices, the sense of divergence has become acute.

For the market, the reasons for feeling cheerful are simple enough. Britain's exit from the ERM last September was good news because it meant lower UK interest rates and lower sterling. The collapse of the ERM was even better, as it meant that other European countries - Germany of course excepted - could cut interest rates as well. With luck, that would allow Britain to cut its rates still further.

In theory, the effect of this on equities is twofold. First, lower

Truck sales in the UK fell 11 per cent. And companies have, on the whole, been gloomy about the outlook. On Tuesday BOC, the industrial gases giant, said business with its basic industrial customers around the world remained tough, and that profits would be down for the year. Yesterday Rothmans, the tobacco and luxury goods group, said it was still seeing "recessionary trading conditions in the major world economies".

This could still all be a matter of timing. It is the function of the market to discount the future, and its apparent divorce from reality is characteristic of economic turning points. This leaves two further questions: whether the market's expectations are right and whether it is putting the right value on them.

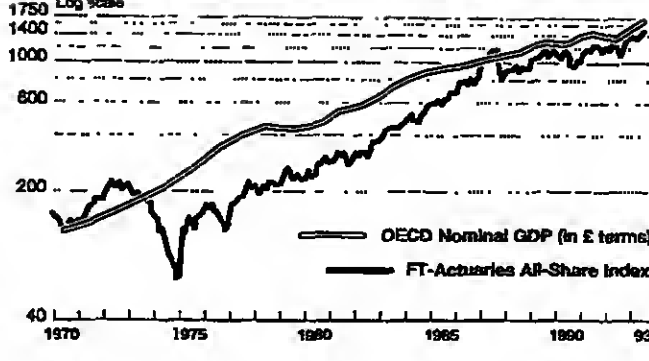
Less bullish analysts have pointed out that the price-earnings ratio of the London market - one of the simplest methods of valuation - is now at around the same level as in October 1987, just before the crash. The more bullish response is that the look is wholly different. In 1987, the market was right to be alarmed about the coming recession. Now, with luck, it is right to expect an economic upturn and a corresponding surge in profits.

As for valuation, it helps to step back and consider the broader context. In the long run, it seems unlikely that the market can outpace economic growth. Share prices cannot rise faster than the dividends which give them their value, nor can dividends rise faster than the profits from which they are paid. Profits, in their turn, can scarcely rise faster than the economy, as that would mean shareholders winning consistently at the expense of someone else. Profits may at times lose ground and then regain it, as happened in the 1970s and 1980s. But on a long view, this ought to amount only to fluctuations around the economic trend.

The upper of the two accompanying charts shows GDP in the developed economies of the OECD, expressed in current sterling, along with the FT All-Share Index. The OECD is chosen because of the international nature of British quoted companies. GDP is shown in current rather than real terms to give effect to inflation, as share prices do.

The implications are on balance reassuring. The index rose above the economic trend line in the early 1970s, before the hor-

UK market versus industrialised world's growth



Source: Datastream

reous bear market of 1973-74. It rose through it again briefly in 1987, just in time for the October crash. Now, despite its recent strength, it is still below the trend. This is partly because sterling's devaluation has jacked up the value of the world economy in sterling terms. But it has also jacked up the sterling value of Britain's overseas earnings, so the comparison remains fair.

In the short run, there is obvi-

ously a risk that the good news which the market expects will be slow in arriving, so that the excitement of recent weeks evaporates. But again, that is merely a matter of timing.

The more fundamental question raised by this week's headlines is whether the market has taken leave of its senses, as it did in the summer of 1987. Judging by the chart, the answer is no. Or at any rate, not yet.

## Papuan threat to RTZ disposal

By Kenneth Gooding, Mining Correspondent

RTZ Corporation's \$108m plan to reduce its shareholding in the Lihir gold project in Papua New Guinea - the largest known gold deposit outside South Africa - was under threat yesterday from the PNG government.

Mr Pias Wingti, PNG's prime minister, said the proposed sale by RTZ of part of its 80 per cent share in the project to Ningini Mining and Venezuelan Goldfields, a small Canadian prospecting company, was "in flagrant violation" of his government's decision to take a 50 per cent stake.

Previously the PNG government had indicated it wanted 30 per cent of Lihir but Mr Wingti said that RTZ had been informed in May that it would take 50 per cent and then hand on 20 per cent to a suitable partner.

RTZ, the world's biggest mining company, said some aspects of Mr Wingti's statement came as a "surprise" and it was "considering its position". It would discuss the situation with Ningini Mining, based in Port Moresby the PNG capital, and with Vendôme.

Mr Wingti said: "This decision has been forced on the government by the inevitable delays and procrastinations which have taken place over the last 10 years."

RTZ had repeatedly told the government that Lihir was not a viable project. "We in turn have now informed them that my government has sufficient confidence in the property to retain 50 per cent."

The Malaysian Mining Corporation recently said it had been offered 20 per cent of Lihir by the PNG government. Yesterday Mr Masket Langah, PNG mines minister, said MNC had offered to fund the government's 30 per cent stake in Lihir and MNC officials would shortly visit the Lihir site, in the crater of an extinct volcano.

RTZ said it had not talked to MNC.

The affair threatens to be embarrassing for RTZ, which prides itself on being able to negotiate effectively with any government.

The dispute is likely to damage PNG's reputation with investors. Since Mr Wingti's government was elected last year it has been involved in serious disputes over the Forgera and Mt Kare gold mines.

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## INTERNATIONAL COMPANIES AND FINANCE

## Lufthansa back into profit as cost-cutting takes effect

By Andrew Fisher in Frankfurt

LUFTHANSA, the German national airline, returned to the black in the second quarter of this year with a small pre-tax profit of DM24m (\$13.9m) as its cost-cutting programme started to show results.

It said that some DM10m had been saved since the wide-ranging recovery programme began last August. This included staff cuts, curbs in pay rises, more flexible pay structures and working agreements, and a streamlining of its operations.

But the company, which is 51 per cent state-owned, made a loss in the first half, although much reduced at DM221m. This

compares with a pre-tax loss of DM452m in the same period of 1992.

The airline said the real improvement in its first-half result was DM147m. The other DM174m represented the effect of changes in the method of depreciation introduced in the second half of last year.

"The gap between earnings and expenditure is slowly narrowing," Lufthansa said. Total spending was 5.5 per cent lower in the first half, with labour costs down 8 per cent.

Passenger numbers rose by 4.6 per cent in the first six months to 14m, with freight just 0.7 per cent higher at 564,000 tonnes. However, revenues from flight operations

were 0.6 per cent down at DM491m. Lufthansa said prices were still under pressure from "excess worldwide capacity coupled with fierce and, at times, ruinous competition".

In the second quarter, the average price paid by passengers was about 8 per cent less per kilometre than a year earlier, with cargo yields 6 per cent lower.

Lufthansa said the number of its flights fell by 3.6 per cent in the first half, while demand was 7.4 per cent higher, both expressed in tonne-kilometres. The revenue load factor was 4.3 percentage points higher at 87.4 per cent; the seat load factor was up by 4.2 percentage points at 64.3 per cent.

## KLM holds out against pressure on margins

By Ronald van de Krol in Amsterdam

KLM Royal Dutch Airlines reported a small increase in net profit for the 1993-93 first quarter in spite of pressure on margins caused by a shift in demand to tourist class seats.

The increase, to Fl 40m (\$20.5m) for the April-June period from Fl 38m a year earlier, is due mainly to the fact that KLM no longer carries the losses of its 20 per cent-owned US airline, Northwest, on its books.

Another factor was a 14 per cent drop in wages and related costs, due in part to a "premium holiday" on contributions to the airline's pension fund.

Mr Pieter Bouw, chairman, told the annual shareholders' meeting that talks on forming an alliance with SAS, Swissair and Austrian Airlines were continuing.

The airlines hoped to sign a memorandum of understanding in September, with a definitive agreement expected before the year-end, he said.

In the first quarter, passenger numbers rose but this was offset by the trend away from first class and business seats in favour of cheaper tourist fares.

The airline is planning to phase out its first class cabins and to improve the quality of business class instead.

Total traffic, measured in ton-kilometres, rose by a healthy 14 per cent, but traffic turnover fell by 3 per cent to Fl 1.5bn. Total turnover was down 4 per cent at Fl 2.1bn, onstripping a 3 per cent decline in total expenses to Fl 1.96bn.

Margins were also under pressure from price wars and the strength of the guilder, and operating profit fell to Fl 151m from Fl 182m. But this was compensated for by the narrowing in losses from minority-owned airlines to Fl 7m from Fl 18m, following KLM's decision to write down the value of its Northwest investment to zero last year.

## Ferfin shareholders feel the breeze

By Haig Simonian

THE COLLAPSE in the equity of Ferruzzi Finanziaria (Ferfin), the heavily-indebted Italian holding company, is already having repercussions on some of its biggest shareholders.

Mediobanca, the merchant bank leading the committee of Ferfin's biggest creditors, is most exposed. Its 3.5 per cent stake in Ferfin, valued at L123.3bn (\$76m) at the end of last year, is now worth a fraction of that amount.

Based on yesterday's official share price in Milan of L234.40,

Mediobanca's holding is now worth little more than L9bn. Based on the proposed new nominal share price for Ferfin of just L5 rather than L1,000 at present, the holding would be worth a meagre L204m.

Chaotic scenes on the bourse yesterday exposed the difficulties of valuing Ferfin's stock, which was readmitted to trading after being suspended on Tuesday. With the write-down imminent, even hardened analysts were unsure of the "real" value of Ferfin with total borrowings of L28,838bn and losses of L1,165bn in the

first five months of this year.

Sai, a big insurance group, and Generali, Italy's biggest insurer, also face a collapse in the value of their Ferfin holdings. Sai owns 2.46 per cent, while Generali has 2.33 per cent.

The stock market yesterday took some account of that, marking down the shares of all three of Ferfin's main shareholders. Mediobanca slipped almost 1 per cent to L16.129, while Generali fell by 0.78 per cent to L39.972 and Sai dropped 0.34 per cent to L22.862.

Leading sufferers from the collapse in values are members

of the Ferruzzi family, which owns about 48 per cent of Ferfin through the Serafino Ferruzzi family holding company. Their stake, formerly believed to be on the books at L1,690bn, is worth far less now.

Some Italian analysts are now wondering how much the family knew about the grave financial irregularities and kickbacks to politicians allegedly made by the group. For many of the 48,000 small shareholders in Ferfin, seeing the plunge in the value of their holdings, the fact that the Ferruzzis have suffered the same fate is small recompense.

## Elkem returns to the black in second quarter with NKr96m

By Christopher Brown-Humes in Stockholm

ELKEM, the Norwegian light metals producer, has announced its first quarterly pre-tax profit before extraordinary items for three years due to cost-cutting, lower energy taxes and a stronger dollar.

The NKr96m (\$12.85m) second-quarter profit helped the company rebound to a NKr61m pre-tax profit in the first half from a NKr189m loss in the same 1992 period.

It confirms that the company is recovering following last

year's crisis refinancing, although the market outlook for many of its products remains uncertain.

Net sales in the first half fell to NKr3.78bn from NKr3.82bn, but the effects of a cost-cutting drive were apparent in the fall in operating costs to NKr3.44bn from NKr3.59bn. Staff numbers have been cut by around 1,000 to 5,700 over the past 18 months.

Group financial expenses were also lower at NKr186m, compared with NKr203m.

Interest payments have fallen in line with a sharp reduction in net debt, which at

June 30 was NKr3.3bn, NKr1.2bn lower than at the start of the year.

The company was also able to book NKr60m back into its accounts as the cost of withdrawing from high temperature waste treatment has proved less than expected.

Elkem said ferro-alloy exports from the CIS and China were continuing at high levels, adding to uncertainties over future price levels.

It also warned that western steel production may not continue to show the same level of growth it displayed in the first half.

## Joint management for Finnish banks

By Christopher Brown-Humes in Stockholm

SKOPBANK and the Savings Bank of Finland, the Finnish banks, are to come under joint management in a move to streamline their operations and improve efficiency.

The banks have run up heavy losses and are controlled by the Government Guarantee Fund, which has been set up to bail out the country's banking system.

Mr Heikki Kolvisto, head of

the Government Guarantee Fund, said the move would reduce overlaps between the two banks in treasury activities and corporate banking.

SKOPBANK will concentrate on international business, wholesale banking and large corporate clients, while Savings Bank of Finland will concentrate on the personal sector and small and medium-sized businesses.

Mr Kolvisto denied the reorganisation was a step towards a full merger of the two banks,

which have so far received a total of FM32bn (\$5.44bn) in state support. But he said it would assist in the long-term aim of returning them to the private sector.

Analysts said the move removed speculation that the banks' activities would be split and sold to other Finnish banks.

Savings Bank of Finland was formed last year from a merger of 41 regional savings banks. SKOPBANK is the central bank of the savings banks.

## Turkey to place stakes in state groups with foreign investors

By John Murray Brown in Ankara

TURKEY is for the first time to place blocks of shares in state companies directly with foreign investors.

The Public Participation Administration, the government agency handling state sales to the public, said that stakes in some 20 companies would be placed with both foreign and domestic institutions at market prices.

The sales, which the PPA hopes to conclude by the year end, are expected to realise around \$30m.

The decision to make a secondary offering, rather than block tender or initial public offering, reflects the new urgency attached to the privatisation programme by Mrs Tansu Ciller, prime minister.

Brokers say that the move will allow foreign investors to take a position in some of the large public concerns without disrupting the market, which suffers from a lack of liquidity.

This is the first time that there has been a possibility of significant foreign stakes in some of Turkey's traditional state monopolies.

The sales include 10 per cent of Ereğli Iron and Steel, Turkey's flat-rolled steel producer which has a 71 per cent share of the domestic market.

The government is also offering a 15.87 per cent stake in Petrol Ofisi, the petrol retail operation.

This sector has seen cut-throat competition, with oil majors such as British Petroleum, Shell and Elf setting up operations.

Petrol Ofisi recently formed

## IBM in patent suit against Conner

IBM has filed a patent infringement lawsuit against Conner Peripherals in the Federal District Court in San Jose, California, AP-DJ reports from Armonk.

According to IBM, the suit charges Conner with infringement of nine IBM patents relating to magnetic disk storage technology. The suit seeks both damages for past infringement and an injunction to bar Conner from any further infringement.

IBM said it is also asking the court to declare that certain specific Conner patents are invalid and not infringed by IBM.

Conner Peripherals said it was "disappointed" that IBM chose to take legal action rather than continue attempts to resolve the matter through negotiation.

## Carter Holt confident

By Terry Hall in Wellington

THE OUTLOOK for wood pulp was being made worse by the rising value of the New Zealand dollar, Mr Selwyn Cushing, chairman of Carter Holt Harvey, New Zealand's biggest forestry company, told yesterday's annual meeting.

Low international pulp prices were of concern, but there was more optimism about returns from radiata logs and the group was cutting costs.

## Wesfarmers advances

By Bruce Jacques in Sydney

WESFARMERS, the Australian agribusiness group, lifted net earnings by 10.9 per cent to \$370.5m (US\$47.6m) in the June year on a 36 per cent sales rise to \$41.7bn.

The annual dividend has been raised from 26 cents to 29 cents a share. The results reflect a full-year contribution from the company's 47 per cent owned associate, Bunnings, the Australian timber group.

Wesfarmers said it benefited

## from lower working capital requirements which allowed interest expense to fall from \$32.6m to \$27.4m.

But the fertiliser division suffered from Australia's rural recession and directors said the outlook remained subdued.

The result excluded abnormal profits of \$3.8m against a \$514,000 loss previously.

Tax provision took \$534m against \$39.5m and depreciation \$38.3m against \$59.1m.



## IPE, ADVISED BY CHEMICAL BANK, ANNOUNCES A SOLICITATION TO OFFER FOR A BLOCK OF SHARES REPRESENTING 78.9% OF SOPONATA-SOCIEDADE PORTUGUESA DE NAVIOS TANQUES, S.A., SHARE CAPITAL

On the 5th of August, 1993, the Council of Ministers of the Republic of Portugal passed a Resolution authorising the re-privatisation of the 79.7% shareholding in SOPONATA, held directly and indirectly by IPE - Investimentos e Participações Empresariais, S.A., a holding company owned and controlled by the Republic of Portugal. SOPONATA is headquartered in Lisbon - Rua do Acucar, 86, 1000 Lisbon, Portugal. SOPONATA is publicly listed on the Lisbon and Oporto Stock Exchanges with 6,160,000 issued shares. The company owns 572,077 shares held in Treasury.

A summary of the call for tender, which is available from the address below, is as follows:

- Shares under Offer** - The sale is a block of 4,862,792 Shares, with a nominal value of Escudos 1,000 per share, representing 78.9% of SOPONATA's Capital.
- Participants** - The offer is open to Portuguese and/or foreign investors who may apply individually or in groups.
- Price** - The basic price for the applications is Escudo 1,980 per Share, or a valuation of the entire block under offer of Escudos 1,000/1 9,628,328.
- Payment Terms** - Payment of the price by the party to whom the sale of the block of Shares is awarded can be effected by either:
  - Cash down;
  - 20% within ten working days of award and the remaining 80% in four annual instalments of equal amounts, incurring interest which is to be added to each of the instalments at a rate equal to the prime rate set for three years by the Caixa Geral de Depósitos, current on the date of award.

If the successful applicant does not opt for full payment of the Shares covered by the sale, such party shall provide a definitive bond within 10 days of the awarded sale, by means of a bank deposit made out to the order of IPE or a first demand bank guarantee acceptable to the IPE, and issued in favour of IPE.

**Directly Nationalised Shares** - Under the terms of Article 2, 1 of Decree-Law No. 288/92 of the 26th December, 1992, 45,153 Shares, corresponding to 5% of the directly nationalised Shares, (i.e. less than 1% of SOPONATA's Capital) are reserved for SOPONATA workers, small investors, and Portuguese emigrants. The shares not subscribed to by such investors must be acquired by the successful applicant for the block of shares at the basic price referred to above.

**Deadline for Application** - The deadline for applications as outlined in the call for tender is the 4th of October, 1993.

**Selection of Winning Bidder** - The bids shall be reviewed by a Jury and the sale of shares under offer shall be made to the applicant who has offered the highest price. In the case where there is a difference of 5% or less in the overall value of the operation between the applicants submitted by the applicant placed first and second, where the overall value of the operation is taken to mean the value of the application presented by the applicant in first place, all the applicants accepted in this phase may then review the sum shown on their applications. Where the initial difference in value between the applicants classified 1st and 2nd is more than 5% of the overall value of the operation, as defined in the preceding item, no review is possible and the higher offer will win.

**Public Tender Offer** - The acquirer of the Shares referred to in the preceding clause undertakes to launch a public tender offer to acquire SOPONATA shares not covered by the present resolution at the unit price accepted by IPE for the block of shares under offer.

**Documents Available to Interested Parties** - Interested Parties who wish to obtain, free of charge, an information pack about the company after the date of publication of the call for tender and up to five days prior to the deadline for submission of the applications.

**Additional Information Subject to Receipt of Deposit** - Interested parties may request a set of additional information about the company, against a non-interest bearing deposit with a credit institution, made out to IPE, to the value of Escudos 10,000,000 which will be refunded to them within three working days from the receipt of the respective application. Subject to receipt of such deposit, the interested party may review any of SOPONATA's assets, including vessel inspections, and also have any audits they deem appropriate carried out at their own expense. Interested parties who do not submit an application, submit an application below the basic price, or are excluded for other reasons stipulated in the call for tender, will lose their deposit which will revert to IPE.

For the purposes of this transaction, IPE has engaged the service of Chemical Bank as its financial adviser. Interested parties should direct enquiries to the following:

Chemical Bank - Pnol Sullivan - Vice President  
The Adelphi - George Sirewell - Associate  
1-11 John Adam Street - Tel: 44-711 932 3398  
London, England WC2N 6HT - Fax: 44-711 839 8892

Banco Chemical (Portugal) S.A. - Alexandre Gouveia - Vice President  
Rua Barata Salgueiro 33 - Tel: 351-11 552 3001  
1200 Lisbon, Portugal - Fax: 351-11 552 2908

This announcement and the related call for tender do not represent a public offer under the "Código do Mercado de Valores Mobiliários", together with successive modifications and investigation.

The Portuguese text of this announcement and the other documents referring to this procedure will prevail over any other version. Requests for such documents should be directed to the above address.

This announcement and the sale procedure are subject to Portuguese Law, in the event of any kind of controversy related to the above, the Court of Portugal will have jurisdiction.

This advertisement, for which IPE is responsible, has been approved by Chemical Bank, a member of the Securities and Futures Authority, solely for the purposes of Section 37 of the Financial Services Act 1986. Chemical Bank is acting for IPE in relation to the publication of this advertisement and is not acting for any other persons and will not be responsible to such persons for providing protection offered to customers of Chemical Bank or advising them in any way, manner referred to herein.

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\* Data Source - BMRB British Business Survey 1993

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FT SURVEYS

INDIA 30<sup>TH</sup> September, 1993

GOVERNMENT OF INDIA

Ministry of Finance

Public Notice

NOTICE IS HEREBY GIVEN that there has been an allotment of Conversion Price for Rs. 4 per cent Bonds due 2001 (the "Bonds") from NISDA, 16 per share to NISDA 22 per share. The Bonds are to be issued in the form of a single certificate for Rs. 22,744,000 shares in relation to the stock dividend and employee bonus share.

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August 13, 1993

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Pursuant to a resolution of the Ordinary Meeting of Shareholders of IPNA 2 NV dated June 14th, 1993, a partial repayment of the premium reserve will be made in its entirety receipt holders in the total amount of US dollars 6,000,000 being US dollars 2,368.73 per depositary receipt.

Payment will be made against remittance of coupon no. 8 of August 27, 1993. Depositary receipt holders are requested to send the mentioned coupon together with detailed payment instructions to the address of the undersigned: Herengracht 320, 1016 CE Amsterdam, The Netherlands.

Stichting IPNA 2 Trust Services  
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The applicable rate of interest for the period August 12, 1993, through and including February 13, 1994, to be paid on February 14, 1994, a period of 186 days, is 4.3125%. This rate is 13/16% above the offered rate for six-month deposits in U.S. Dollars which appeared in the display designated as the British Bankers Association's Interest Settlement Rate (3.50%) as quoted on the Dow Jones/Telerate Monitor as Telerate Screen No. 3750 as at 11:00 A.M. (London Time) on August 10, 1993.

The above rate equates to an interest payment of USD 22.28125 per USD 1,000.00 in principal amount of Notes.

Banco Nacional de Mexico, NY

August 10, 1993



## INTERNATIONAL COMPANIES AND FINANCE

## Thomson edges ahead to \$78m for second term

By Bernard Simon in Toronto

THOMSON Corporation, the Canadian-controlled travel and publishing group, yesterday reported a slight improvement in second-quarter earnings, but cautioned that a true picture of its 1993 performance would only emerge later in the year.

Net earnings rose to US\$78m, or 13 cents a share, from \$70m, or 12 cents, a year earlier. Six-month earnings for both years were \$22m, or 3 cents.

Second-quarter sales dipped to \$1.47bn from \$1.53bn, largely reflecting weaker sterling and, to a lesser extent, the Canadian dollar.

The travel division's operating earnings edged up to \$31m from \$30m, excluding \$3m of interest income this year, down from \$7m in 1992.

The company said, however, that earnings for the year would largely be determined by results for the high-season third quarter.

Apart from the weak pound, Thomson painted an encouraging picture of prospects for the travel business. Demand for summer 1993 holidays appeared "approximately in line" with available capacity,

and "excessive" discounting on brochure prices was unlikely.

Thomson Tour Operations' summer bookings are 14 per cent ahead of last year. Winter bookings are 23 per cent up, partly due to an earlier launch of the programme.

The fortunes of the publishing and newspaper interests are mixed. Earnings at Thomson's UK regional newspapers are "well above" last year, due to rising advertising revenues. But advertising lineage in North America was down 4 per cent in the first half, including a 7.2 per cent drop in Canada. Circulation was also slightly lower.

However, Thomson said sagging revenues were more than offset by lower costs, and that both profits and margins improved.

Professional publishing earnings have been dented by competitive pressures in tax and legal publications and by the impact of the US government's review of pharmaceutical advertising in medical magazines.

Nonetheless, the information and publishing group's operating earnings rose to \$75m in the second quarter, from \$75m a year earlier.

## TWA wins approval to return from bankruptcy

By Nikki Tait in New York

TRANS World Airlines, the US carrier, has won approval from a Delaware bankruptcy court for its "plan of reorganization" after a day of hearings.

This should allow the company to emerge from Chapter 11 bankruptcy protection within the next few weeks.

TWA entered bankruptcy in early 1992, when the company was still owned by Mr Carl Icahn, the US financier.

Mr Glenn Zander, one of two co-chief executives at TWA, told the court that the airline's performance was consistent with projections contained in its reorganization plan, and claimed that the airline would be viable if it returned from bankruptcy.

The carrier has yet to decide where it would base its ongoing operations but it was expected to announce yesterday that it would go to St Louis, its main hub airport. TWA has been operating from Mount Kisco, New York.

Under the reorganization, equity ownership would be split between employees, in return for wage concessions, and creditors, in exchange for debt forgiveness.

US Airways, in which British Airways holds a minority stake, is acquiring five gates at Orlando airport in Florida from United Airlines, the larger Chicago-based carrier.

US Airways added that it planned an agreement with United, under which the two carriers would provide code-sharing flights from areas in the north-eastern US to Miami, and then on to Latin America.

## Murdoch sells his holding in Hungarian paper

By Raymond Snoddy

MR RUPERT Murdoch, chairman of News Corporation, has sold his stake in the Hungarian newspaper Mai Nap to the Bank of Credit of Hungary, the paper's co-owner.

Mr Murdoch bought half of Mai Nap, an evening tabloid, for \$3m and had a let-out clause after three years - which he has now exercised in order to get his original investment back.

It is believed that the main reason behind the decision to pull out was the fact that News Corp was unable to gain control of the publishing company.

The decision comes a year after the closure of Super, a daily tabloid newspaper aimed at the former East Germany, which News Corp published in a joint venture with Burda of Germany.

However, News Corp emphasized yesterday that there was no lack of interest in eastern Europe. Television deals were being pursued in the CIS, Poland and the former Czechoslovakia.

## Canadian forestry shaken to its roots

The industry faces another bout of upheaval, say Bernard Simon and Robert Gibbens

A NY industry which has racked up losses of C\$44m (US\$3.1bn) in less than three years is bound to feel some after-shocks. In the case of Canada's forestry sector, the upheaval is shaking many of the highest companies to their roots.

Further evidence of the industry's structural shift came this week with the decision by Canadian Pacific, the transport and energy conglomerate, to unload its entire 61 per cent stake in its loss-making pulp and paper subsidiary, CP Forest.

CP Forest joins a growing list of forestry companies emerging from the sheltered embrace of a controlling shareholder into the more bracing environment of a widely-held public company.

Earlier this year, Toronto's Bronfman group spun off its controlling interest in MacMillan Bloedel, the highest west coast forestry company.

An 82 per cent stake in Abitibi-Price, one of North America's biggest newsprint producers, is in the hands of an international banking consortium after the collapse of Olympia & York, the real estate developer. O&Y had pledged the shares as collateral for a large loan. According to one analyst, at least one of the banks has started selling Abitibi shares into the market.

New Zealand's Fletcher Challenge is cutting its stake in Fletcher Challenge Canada from 72 per cent to 51 per cent.

After 90 years as a wholly-owned subsidiary of the Chicago Tribune, Quino, an Ontario-based newsprint maker, is now a publicly-traded company in which its former parent has a 49 per cent stake.

Meanwhile, a handful of smaller lumber producers have gone public, taking advantage of rocketing timber prices earlier this year.

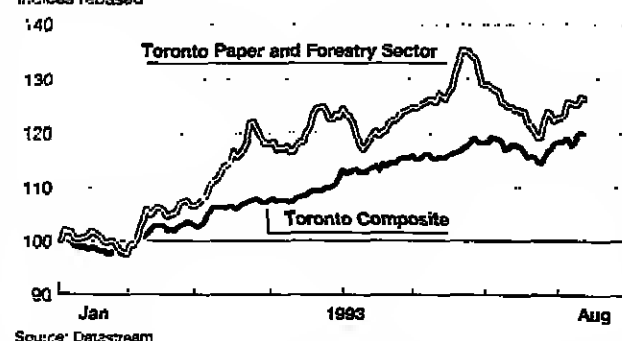
The shake-out is not over. Mr Ken Copeland, director of syndication at Nesbitt Thomson, the securities firm which led the underwriting group for the CP Forest deal, says that "if you're a private company and you ever thought about going public, the market is very receptive."

Stone Container of Chicago has given notice of plans to spin off part of its wholly-owned Stone-Consolidated, a Montreal-based newsprint producer.

Mr Richard Kellert, analyst at McLean McCarthy in Montreal, says that other groups which may be set adrift by key shareholders include Weldwood, controlled by the US group Champion International; Crestbrook Forest Industries, in which Mitsubishi of Japan has a 25 per cent

## Canada

Indices rebased



Source: Datastream

stake; and Domtar, the paper-maker controlled by the Caisse de Depot et Placements, the Quebec public-sector pension fund.

The turbulence fits a pattern seen in previous years in the forestry sector. Parent companies, many of them laden with debt and strapped for cash, have become unable and/or unwilling to keep supporting subsidiaries through quarter after quarter of red ink.

CP Forest, for instance, has been a significant drag on Canadian Pacific, pulling down its operating income by C\$81.2m in the first six months of this year, and C\$152.7m a year earlier.

Companies such as CP, Stone

and Fletcher Challenge are now running out of patience as they come under pressure from bankers and investors.

Prices of newsprint and pulp, the staples of the Canadian forestry industry, are still in the doldrums.

While newsprint producers are crossing their fingers for a modest recovery later this year, pulp mills have reconciled themselves to a weak market well into 1994.

Many companies' financial strength will continue to be sapped even when the recovery gets underway. Keeping pace with increasingly stringent environmental laws will require heavy spending on recycling and pollution abatement equipment.

In contrast to disenchanted

parent companies, outside investors are attracted by what may prove to be bargain share prices once commodity markets improve. The Bronfmans sold their MacMillan Bloedel shares last March for C\$17.50 apiece. Earlier this week, they were trading at C\$22.62.

The transformation from a closely-held entity to one with a widely-dispersed group of public shareholders is also likely to create turbulence within many companies.

CP Forest is among those renowned for its slow-moving management. The pressure to perform is now likely to intensify. As Mr Kellert puts it, these companies "now have a lot of shareholders to answer to, and shareholders typically vote with their feet if they're not happy."

MacMillan Bloedel has already responded by launching a far-reaching review of its businesses. The review, to be completed around the end of this year, could result in a more focused business strategy.

Wide ownership may turn out to be only the first stage of a drawn-out process of change in the industry. Over the next year or two, a wave of mergers, takeovers and asset disposals could separate the trees from the saplings.

## Coles Myer details plan for expansion

By Bruce Jacques in Sydney

COLES MYER, the Australian retailing group, has announced plans to spend A\$4.15bn (US\$2.8bn) over the next five years on a store expansion plan aimed at lifting sales and margins.

Mr Peter Bartels, chief executive, said yesterday that the programme - the largest retailing expansion in Australia - would involve building 421 new stores, refurbishment of 1,136 others and the expansion and construction of more than 12 shopping centres.

The investment programme is a major plank in our strategy to maximise future profit-

ability and returns to shareholders," Mr Bartels said, adding that it would be financed entirely from internal funds.

Mr Bartels said experience had shown that new and refurbished stores produced sales increases of between 10 per cent and 30 per cent, improving investment returns.

Analysts yesterday saw the move as a strategic manoeuvre to regain some initiative from recently-floated retailing rival, Woolworths, which has exceeded Coles Myer's sales growth figures in recent years.

Coles Myer shares gained 12 cents to A\$4.50 on Australian stock exchanges yesterday.

## Murdoch sells his holding in Hungarian paper

By Raymond Snoddy

MR RUPERT Murdoch, chairman of News Corporation, has sold his stake in the Hungarian newspaper Mai Nap to the Bank of Credit of Hungary, the paper's co-owner.

Mr Murdoch bought half of Mai Nap, an evening tabloid, for \$3m and had a let-out clause after three years - which he has now exercised in order to get his original investment back.

It is believed that the main reason behind the decision to pull out was the fact that News Corp was unable to gain control of the publishing company.

The decision comes a year after the closure of Super, a daily tabloid newspaper aimed at the former East Germany, which News Corp published in a joint venture with Burda of Germany.

However, News Corp emphasized yesterday that there was no lack of interest in eastern Europe. Television deals were being pursued in the CIS, Poland and the former Czechoslovakia.

## Israel to sell 20% of Bank Leumi stake

By David Horowitz in Jerusalem

THE Israeli government yesterday announced the sale of 20 per cent of its shares in Bank Leumi, the country's second-biggest bank. The move comes less than two months after it sold 15.5 per cent of its shares in Israel's biggest bank, Bank Hapoalim.

The Bank Leumi sale, approved by the Knesset finance committee yesterday, is due to take place this month.

The offer is expected to raise between Shk850m and Shk1.1bn (\$280m to \$306m).

The Hapoalim sale was 120 times oversubscribed, and analysts believe the Leumi offer will also be heavily oversubscribed.

Indeed, several finance committee members initially expressed opposition to the offer, arguing that the sale price was being set too low, and senior management were being offered overly generous share purchase schemes.

The sale emphasises the Labour-led Israeli government's commitment to divesting the state of its majority holdings in all Israel's major banks, acquired after the October 1983 bank shares collapse.

In a second privatisation plan unveiled yesterday, Israel Aircraft Industries said it would this year be offering 25 per cent of the shares in its wholly-owned Elta electronics subsidiary for sale on the Tel Aviv stock exchange.

IAI, one of Israel's largest

companies, has been hit hard by the worldwide downturn in defence spending. It has failed to make an entirely successful transition into non-military alternatives, and recently said it would have to cut 1,500 of its 16,100 staff.

Elta develops, manufactures and markets radar, electronic warfare, communications and information systems and is one of the jewels in the IAI crown. Sales in the first quarter of 1993 amounted to \$72m, following 1992 sales of \$57.5m.

## The Gap falls 24% to \$28.7m

By Nikki Tait

THE GAP, the fashion store group which until last summer was one of the most promising companies in the US retail sector, yesterday revealed that after-tax profits plunged by 24 per cent, to \$28.7m, in the second quarter of the current financial year.

Total sales in the three months to end-July increased by 13 per cent, to \$693m.

However, this was due largely to expansion: at the end of the quarter, The Gap was running 1,350 stores - including 286 GapKids outlets and 170 Banana Republic shops - compared with 1,253 last year.

The San Francisco-based company said that same-store sales rose by just 1 per cent for the quarter.

The latest results leave The Gap posting after-tax profits of \$76.2m in the first six months, down from \$83m at the same stage last year. Sales for the first half were \$916.6m, compared with \$792.5m.

Mr Donald Fisher, chairman, blamed a difficult retailing environment, and said that lower merchandise margins and higher occupancy costs were largely responsible for the decline in profits.

He added, however, that The Gap had been trying to rein in expenses and stocks, noting that the company was building 8 per cent less merchandise at the end of the quarter compared with a year ago.

## Johnson &amp; Johnson to shed 3,000 jobs

By Richard Waters in New York

JOHNSON & JOHNSON has followed other US healthcare companies in announcing big staff cuts in the face of pressure on drug prices.

The company said this week it expected to shed 3,000 jobs this year, 1,000 of them through voluntary redundancies. The \$200m cost has already been provided for in a reserve set up last year.

The compulsory job losses will come through moves to streamline administrative and other functions. However, the company said it had no plans to abandon its decentralised structure, involving 28 operating companies in the US alone.

Analysts said the job losses, from a total of 84,000, would have little impact on overall

costs. "If they really want to concentrate on cost-cutting, they will have to look again at their whole philosophy of decentralisation," said Mr Gleno Reicin, an analyst at Oppenheimer in New York.

Operating companies will decide for themselves whether to implement the voluntary redundancy plan.

All of the voluntary redundancies and most of the compulsory lay-offs will come in the US. Job losses abroad will come from factory closures in France and Brazil, as well as the consolidation of several European medical businesses.

Other drugs companies that have announced job losses this year include Warner Lambert and Bristol Myers-Squibb, while Merck recently said that 2,100 had accepted its voluntary redundancy plan.

## Ontario court ruling deals blow to PWA

By Robert Gibbens in Montreal

PWA, parent of Canadian Airlines International, has suffered a setback in its attempt to gain a vital C\$246m (US\$189m) equity injection from American Airlines.

The Ontario Court of Appeal has rejected PWA's attempt to have the Gemini reservations system declared insolvent. This would have allowed Canadian to switch to American's Sabre system - a condition of American's equity investment.

PWA is also asking the Federal Competition Tribunal to free it from Gemini, and has offered its partners in the system - Air Canada and a group of US airlines - a C\$20m settlement.

Mr Rhys Eytton, PWA chairman, appealed to the federal

cabinet to intervene and force a negotiated settlement between Canadian and its Gemini partners. However, Air Canada replied that it would not negotiate the winding-up of the reservation system.

PWA would not say whether it will take the Gemini issue to the Federal Court of Appeal.

Confederation Life, one of Canada's top four life companies, is looking for a capital infusion, after raising C\$240m earlier this year with a European debt issue.

Mr Paul Cantor, president, said the company was looking at several options, including a preferred stock issue, converting the mutual into a public shareholder-owned company and finding a partner.

Canada's "big six" chartered banks are considered potential strategic partners.

August 1993



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Issue of up to  
£125,000,000  
Floating Rate Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 30th November, 1993 has been fixed at 6.0375% per annum. The interest accruing for such three month period will be £76.09 per £5,000 Bearer Note, and £1,521.78 per £100,000 Bearer Note, on 10th November, 1993 against presentation of Coupon No. 16.



10th August, 1993

London Branch Agent Bank

## PAINTS &amp; THE ENVIRONMENT: AN INDUSTRY FIGHTS BACK

The Financial Times plans to publish this Survey on

THURSDAY, 25<sup>TH</sup> NOVEMBER, 1993

It will be published from our print centres in Tokyo, New York, Frankfurt, Roubaix and London. It will be seen by Chief Executives and Government Officials in 180 countries worldwide.

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FT SURVEYS

## NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 2 PLC  
Class B-1 Mortgage Backed Floating Rate Notes  
Due August 2023

NOTICE IS HEREBY GIVEN to Bankers Trust Company Limited (the "Trustee") and to the holder of the Class B-1 Mortgage Backed Floating Rate Notes Due August 2023 (the "Class B-1 Notes") of Mortgage Funding Corporation No. 2 PLC (the "Issuer") that, pursuant to the Trust Deed dated 31st August, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 31st August, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class B-1 Notes, Class B-1 Notes in the amount of £3,000,000 will be redeemed on 31st August, 1993 (the "Redemption Date"). The Class B-1 Notes subject to redemption in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

## OUTSTANDING CLASS B-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearer Notes									
160	169	178	187	188	218	265	273	292	113
152	156	528	559	573	591	712	737	747	791
864	881	893	910	932	952	978	980	1003	1112

The Class B-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York  
60 Victoria Embankment  
London EC4Y 0JP  
Union de Banques Suisses (Luxembourg) S.A.  
36-38 Grand-rue  
L-2011  
Luxembourg  
Morgan Guaranty Trust Company of New York  
Avenue des Arts-35  
B-1040 Brussels, Belgium  
Morgan Guaranty Trust Company of New York  
55 Exchange Place, Basement A  
New York, New York 10020-0023  
Attn: Corporate Trust Operations

In respect of Bearer Class B-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unimpaired coupons and interest accruing thereon. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class B-1 Notes which are the subject of this Notice of Redemption.

## MORTGAGE FUNDING CORPORATION NO. 2 PLC

By: Morgan Guaranty Trust Company  
as Principal Paying Agent  
Dated: 13th August, 1993

## NOTICE

Withholding of 31% of gross redemption proceeds of any payment made within the United States is required by the Internal Revenue Code of 1986 and amended by the Energy Policy Act of 1992 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class B-1 Notes in the paying agency's New York Office.



## INTERNATIONAL CAPITAL MARKETS

## Pressure on sterling hits gilts during heavy profit-taking

By Tracy Corrigan in London and Patrick Harverson in New York

EUROPEAN bond prices were volatile yesterday, as some markets came under selling pressure from profit-takers, while others proved susceptible to movements in the foreign exchange market.

Dealers said most markets had been ready for a correction after advancing strongly in recent weeks. According to Mr Kit Juckes, an economist at

SG Warburg, 10-year bond yields have fallen 40 basis points in Germany, 47 in France, 56 in the UK, and 138 in Italy since the beginning of July.

**GILTS** proved particularly turbulent as sterling came under pressure following the release of a disappointing batch of economic data which showed that manufacturing output fell 2.1 per cent in June and unemployment rose for the first time since January.

The gilt future on the London International Financial

Futures & Options Exchange (LIFFE) opened half a point higher and rose to 113½ before declining rapidly. However, after hitting a low of 112½, it recovered to end at 112½, more than a point down on the opening. Dealers said there was technical support for the future at this level.

They said the declines were partly due to heavy profit-taking by domestic institutions. The market has staged a strong rally in recent weeks, advancing from 108½ two weeks ago and 110½ a week ago.

"The main risk to the gilts market is that overseas demand will dry up," said Mr Jonathan Davies, an analyst at UBS. Consequently, the weakness of sterling is of concern, as foreign investors tend to buy gilts when they are bullish on the currency as well as the bond market.

However, the Bank of England sold its latest gilt taps without apparent difficulty.

**FRENCH** bond prices ended up about ¼ point, while the French notional bond future on the Matif in Paris closed at 122.82, up 0.18 point.

The market had reached a

## FT FIXED INTEREST INDICES

	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Aug 0	Aug -1	Aug -2	Aug -3	Aug -4	Aug -5	Aug -6	Aug -7	Aug -8	Aug -9	Aug -10	Aug -11	Aug -12	Aug -13	Aug -14	Aug -15	Aug -16	Aug -17	Aug -18	Aug -19	Aug -20	Aug -21	Aug -22	Aug -23	Aug -24	Aug -25	Aug -26	Aug -27	Aug -28	Aug -29	Aug -30	Aug -31	Aug -32	Aug -33	Aug -34	Aug -35	Aug -36	Aug -37	Aug -38	Aug -39	Aug -40	Aug -41	Aug -42	Aug -43	Aug -44	Aug -45	Aug -46	Aug -47	Aug -48	Aug -49	Aug -50	Aug -51	Aug -52	Aug -53	Aug -54	Aug -55	Aug -56	Aug -57	Aug -58	Aug -59	Aug -60	Aug -61	Aug -62	Aug -63	Aug -64	Aug -65	Aug -66	Aug -67	Aug -68	Aug -69	Aug -70	Aug -71	Aug -72	Aug -73	Aug -74	Aug -75	Aug -76	Aug -77	Aug -78	Aug -79	Aug -80	Aug -81	Aug -82	Aug -83	Aug -84	Aug -85	Aug -86	Aug -87	Aug -88	Aug -89	Aug -90	Aug -91	Aug -92	Aug -93	Aug -94	Aug -95	Aug -96	Aug -97	Aug -98	Aug -99	Aug -100	Aug -101	Aug -102	Aug -103	Aug -104	Aug -105	Aug -106	Aug -107	Aug -108	Aug -109	Aug -110	Aug -111	Aug -112	Aug -113	Aug 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-1102	Aug -1103	Aug -1104	Aug -1105	Aug -1106	Aug -1107	Aug -1108	Aug -1109	Aug -1110	Aug -1111	Aug -1112	Aug -1113	Aug -1114	Aug -1115	Aug -1116	Aug -1117	Aug -1118	Aug -1119	Aug -1120	Aug -1121	Aug -1122	Aug -1123	Aug -1124	Aug -1125	Aug -1126	Aug -1127	Aug -1128	Aug -1129	Aug -1130	Aug -1131	Aug -1132	Aug -1133	Aug -1134	Aug -1135	Aug -1136	Aug -1137	Aug -1138	Aug -1139	Aug -1140	Aug -1141	Aug -1142	Aug -1143	Aug -1144	Aug -1145	Aug -1146	Aug -1147	Aug -1148	Aug -1149	Aug -1150	Aug -1151	Aug -1152	Aug -1153	Aug -1154	Aug -1155	Aug -1156	Aug -1157	Aug -1158	Aug -1159	Aug -1160	Aug -1161	Aug -1162	Aug -1163	Aug -1164	Aug -1165	Aug -1166	Aug -1167	Aug -1168	Aug -1169	Aug -1170	Aug -1171	Aug -1172	Aug -1173	Aug -1174	Aug -1175	Aug -1176	Aug -1177	Aug -1178	Aug -1179	Aug -1180	Aug -1181	Aug -1182	Aug -1183	Aug -1184	Aug -1185	Aug -1186	Aug -1187	Aug -1188	Aug -1189	Aug -1190	Aug -1191	Aug -1192	Aug -1193	Aug -1194	Aug -1195	Aug -1196	Aug -1197	Aug -1198	Aug -1199	Aug -1200	Aug -1201	Aug -1202	Aug -1203	Aug -1204	Aug -1205	Aug -1206	Aug -1207	Aug -1208	Aug -1209	Aug -1210	Aug -1211	Aug -1212	Aug -1213	Aug -1214	Aug -1215	Aug -1216
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## Dunhill and Rothmans shareholders receive restructuring plans for the new groups

# Richemont spin-offs are confident

By Andrew Bolger

A DOWNBEAT announcement from Dunhill Holdings did not dent the confidence of the other participants in the restructuring of the Richemont empire.

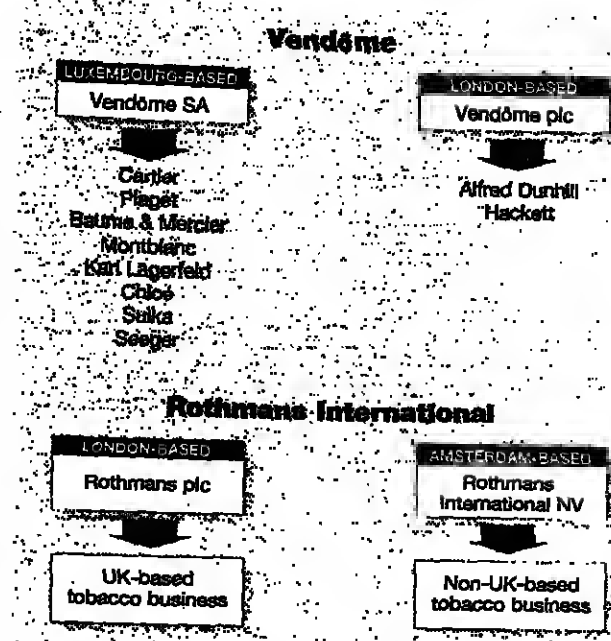
Shareholders were yesterday sent details of the proposed reconstruction of the tobacco and luxury goods businesses into two new quoted companies and the return of surplus cash to the shareholders of Rothmans and Dunhill.

The proposals will result in the creation of two new groups - Rothmans International and Vendôme Luxury Group.

The new Rothmans will comprise all of Rothmans' existing tobacco businesses and certain tobacco trade marks currently owned or controlled by Dunhill or by Richemont with cigarette brands including Rothmans, Dunhill, Peter Stuyvesant, Craven A and Golden American.

Lord Swaythling, chairman of Rothmans, said the company continued to experience recessionary conditions in the main world economies, political uncertainties in certain of its markets and volatility in the currency markets.

The competitive trading environment in a number of cigarette markets also created uncertainties, although the new Rothmans had limited exposure in the US, where traditionally high margins have been eroded by the cigarette



price wars.

He said: "The new Rothmans group is, however, expected to benefit from cost-efficiency measures already initiated. While the total volume of cigarette sales in many markets is static or in decline, overall worldwide tobacco consumption is increasing."

"This provides opportunities for international tobacco companies to sell quality cigarette brands, particularly to markets where opportunities for export

or local production have been traditionally limited through import restrictions, government policy or lack of convertible currency."

Under the reorganisation, the luxury goods businesses of Dunhill will form part of Vendôme, the Dunhill tobacco trade marks will be transferred to the new Rothmans and \$75m cash will be returned to Dunhill shareholders.

Vendôme said it would be one of the world's largest lux-

ury goods groups with a portfolio of premier brands. Its principal brands would be Cartier, Alfred Dunhill and Montblanc, which together accounted for 85 per cent of the sales of Luxco and Dunhill. The combined group's turnover would comprise: jewellery 14 per cent; watches 38 per cent; writing instruments 13 per cent; and leather goods 10 per cent.

Mr Joseph Kanoui, the Swiss chairman and chief executive of Vendôme, said bringing together Richemont's Luxco and Dunhill luxury goods businesses under unified ownership would enhance their ability to shape and take advantage of changes in the industry. He believed the combination of Luxco and Dunhill would produce purchasing, distribution and other savings.

On prospects for Vendôme, he said the strength of its brands and management team, the geographical spread of its sales and the integration of manufacturing and distribution activities should enable it to perform well, in spite of the depressed economic conditions in some of its markets.

The board also believed that

an improvement in economic conditions should favour the Vendôme group given that both Luxco and Dunhill have historically grown at rates in excess of the economies of the principal markets in which they operated.

Mr Kanoui said that, unlike Dunhill, Luxco had not adopted long-term hedging policies because it believed the geographical spread of its activities gave it a natural hedge against foreign exchange movements.

Meetings for shareholders in Rothmans and Dunhill will be held on September 7. Subject to their approval, dealings in the new Rothmans and Vendôme shares will start on October 25.

Shareholders with 1,000 Rothmans B shares will receive 1,000 new Rothmans units, 500 Vendôme units and £757 cash. Holders of 1,000 Dunhill shares will receive 133 new Rothmans units, 749 Vendôme units and £443 cash.

The cash element totals \$25m of which Richemont will receive £300m. Following the restructuring, it will own 61 per cent of Rothmans and 70 per cent of Vendôme.

## Rutland Trust develops thirst for soft drinks

By Catherine Milton

RUTLAND TRUST is enlarging its business services portfolio with the strategically surprising acquisition of Ben Shaws, a soft drinks maker based in West Yorkshire.

The initial consideration is \$5.69m giving Rutland an 84 per cent interest in a newly formed subsidiary, Orpington, with the senior management team of Ben Shaws building the balance.

Rutland is paying £2.84m in cash, £2.45m in loan notes and £400,000 in shares. Further consideration will become payable in 1995, depending on profits before tax.

Mr Michael Langdon, chief executive, said: "This is not the first time we have made

substantial investments in a field outside pure financial services."

Capital Industries, Rutland's separately quoted associate, last year bought Samuel Jones, a manufacturer of laminated paper.

Mr Langdon said: "Where we can enhance our shareholder value by using the skills we have at Rutland then we will invest."

Mr Langdon and another Rutland director, Mr Christopher Dowling, have become respectively chairman and deputy chairman of Ben Shaws.

Ben Shaws, which incurred pre-tax losses of £546,000 on turnover of \$69m in the year to end January 1993 and had net assets of £7m at that date, has been owned and run by the Shaw family since 1871.

## Smith & Nephew at £82m but US clouds outlook

By Peggy Hollinger

SMITH & NEPHEW, the healthcare and consumer group, yesterday reported a 27 per cent increase in interim pre-tax profits to £82.3m on turnover 17 per cent higher at £483m.

Mr John Robinson, chief executive, said the group had achieved underlying sales growth of 8 per cent, after adjusting for currency movements and a £6m gain on the disposal of an Australian plastics business. Margins held steady at 15.8 per cent.

Although many analysts said the profits for the half year to July 3 had come in at the lower end of expectations, with healthcare growth less than forecast at 9 per cent, Mr Robinson said he was pleased with the results. "Sales and profits growth are the same as last year," he said, "despite worsening market conditions."

The group had also managed to reduce gearing from 25 per cent to 15 per cent, leaving the way open for substantial acquisitions within the next two years.

Growth in the healthcare division during the first half had been slowed by uncertainty over health reforms in the US, where Smith & Nephew makes 48 per cent of turnover. Sales of surgically related products had fallen as patients put off surgery until the government published the reforms. Mr Robinson said the number of operations in the US had fallen by as much as 10 per cent. He stressed, however, that the uncertainty was not expected to have a long-term effect on sales. "We are confident that it will come back, but it may be a month or two before that happens," he said.



Eric Kinder (left), chairman, with the Genesis knee joint, and John Robinson with a model knee joint

On a brighter note, northern Europe - including the UK - had performed as expected. Asia was also proving to be a high growth market.

The interim dividend is lifted from 1.8p to 1.89p, payable from earnings per share of 5.1p (4.2p).

### COMMENT

Forecasts for Smith & Nephew have been downgraded from £170m to £163m pre-tax, leaving a prospective profit of 14, as the uncertainty over its largest market seems set to cloud the

short-term. Turmoil over currencies in the Exchange Rate Mechanism are not likely to help the group. Longer term, Smith & Nephew is well placed in markets with strong growth potential - cost-effective healthcare. Most encouraging is Mr Robinson's reassurance that Smith & Nephew will maintain underlying growth of about 8 per cent. Taking those factors into consideration, there might be a better time to buy in the near future, but there is certainly no reason to sell.

## Greenalls in £3.5m drinks buy

By Philip Rawstone

GREENALLS GROUP, the pub retailer and hotelier, has acquired JP O'Brien, a Lancashire-based drinks wholesaler, for £3.5m, comprising 650,000 Greenalls shares, loan stock of £700,000, and the balance in cash.

Mr Andrew Thomas, Greenalls' chairman, said yesterday that the deal would increase the group's focus on wholesaling opportunities outside its own pub estate.

"Our existing wholesaling business will merge with O'Brien's and the resulting increase in scale will improve margins and increase its attraction to suppliers," he said.

### DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Current dividend	Total dividend for year	Total dividend for year
Baldwin	1.5	Nov 1	1.5	1.5	3
Blagden	1.5	Oct 1	1.5	1.5	3
Brandon Hires	1.5	Oct 1	1.5	1.5	3
British Thomson	0.25	Nov 1	0.25	0.25	0.5
CIC Inv Trust	1.5	Sept 17	1.5	1.5	4
Cussons Properties	1	Oct 5	1	1	4
Eng & Caledonian	2.75	Oct 22	2.75	2.75	4
Foreign Colonial	1.15	Oct 1	1.12	1.12	3.35
Fulcrum Inv Trst	1.4	Sept 30	1.4	1.4	13.07*
Fuller Cleaners	7	Oct 1	7	7	25.7
Lilleshall	1.7	Nov 26	1.7	1.7	4.25
Mosaic Investments	1.5	Nov 1	1.5	1.5	3.75
Relyon	1.9	Oct 4	1.75	1.75	4.9
Royal Insurance	2.5	Nov 5	2	2	5
Shelco	1.14	Sept 30	1.14	1.14	2.2
Smith & Nephew	1.89	Oct 13	1.89	1.89	4.62
Standard	7.5	Oct 27	7	7	20
Transatlantic	6	Oct 4	6	6	12

Dividends shown pence per share net except where otherwise stated. \*Yield increased capital, 500m stock. \*Mileage 2.1p for six months, \*for 18 months.

## Ayrshire Metal shares jump

Shares of Ayrshire Metal rose 33 per cent to 88p yesterday after the producer of cold rolled steel profiles announced a jump in pre-tax profits from £115,000 in 1992 to £115,000 for the half year to June 30.

The directors said the company had continued to monitor tightly its cost base and funding requirements.

Turnover increased to £16.5m (£14.4m). Earnings were 3.8p (0.8p) per share. There is again no interim but directors hope to recommend a dividend for the year.

## Notice

### CARCO DEALRS<sup>SM</sup> Wholesale Trust 1990-A

#### U.S. \$650,000,000

#### 9% per cent.

#### Dealer Euromarket wholesale Auto Loan

#### Receivable-backed Certificates<sup>SM</sup>

#### (the "Certificates")

NOTICE IS HEREBY GIVEN that two amendments (the "Amendments") are proposed to be made to the Pooling and Servicing Agreement dated as of August 1, 1990, as amended by the First Amendment thereto, dated September 22, 1991 (the "Pooling and Servicing Agreement"), among Chrysler Auto Receivables Company, as Seller ("CARCO"), Chrysler Credit Corporation, as Servicer and The First National Bank, as Trustee, pursuant to which the Pooling and Servicing Agreement would be amended as described below. Terms used herein, but not defined herein have the meanings ascribed to them in the Pooling and Servicing Agreement.

The first of the proposed Amendments (which, if adopted, would become the Second Amendment to the Pooling and Servicing Agreement) provides for the following changes to the terms of the Pooling and Servicing Agreement:

(A) The Second Amendment changes the Amortization Events so as to permit the amount of Principal Receivables in the Trust to decline below the required amount of collateral and the amount of Principal Receivables is held by the Trustee in Permitted Investments (cash and cash equivalents) pending reinvestment in Principal Receivables. This change will only take effect after the Yield Supplement Subaccount related to below is fully funded.

(B) The Second Amendment also establishes a new collateral account, the Yield Supplement Subaccount, which will be used to fund the negative carry, if any, between the earnings on the Permitted Investments held in lieu of Principal Receivables and the floating rate of interest paid to the Swap Counterparty under the Pooling and Servicing Agreement.

(C) The Second Amendment further adds two new Amortization Events: (1) if the amount on deposit in the Yield Supplement Subaccount falls below a minimum amount specified in the Second Amendment; or (2) if the required amount of collateral in the Trust consists of less than 50% of Principal Receivables for any period of six consecutive months.

The second of the proposed Amendments (which, if adopted, would become the Third Amendment to the Pooling and Servicing Agreement) provides for the following changes to the terms of the Pooling and Servicing Agreement:

The Third Amendment changes certain of the terms and conditions under which CARCO may remove excess Accounts (and the related Principal Receivables) from the Trust.

The primary purpose of the proposed Amendments is to decrease the likelihood of early amortization, while providing Chrysler Financial Corporation with increased efficiencies with respect to managing its receivables. Furthermore, the proposed Amendments will conform the Pooling and Servicing Agreement to most recent wholesale receivables securitization transactions originated by Chrysler Financial Corporation.

A proposed Amendment will not become effective unless each of Standard & Poor's Corporation, Moody's Investors Service, Inc. and Duff & Phelps Credit Rating Co. have all confirmed that adoption of such Amendment will not result in a reduction or withdrawal of their triple-A ratings of the Certificates. Adoption of the Amendments requires the consent of the Holders of 66 2/3% of the Investor Interest. Holders are being asked for a single consent to authorize both Amendments, with the effectiveness of each of the proposed Amendments being subject to confirmation of the ratings as described above. If the requisite consents are obtained, each of the Amendments will become effective upon receipt of the ratings confirmation for each Amendment.

Holders wishing to consent to the Amendments must complete the consent procedure at any time on or after August 16, 1993 but no later than 5:00 p.m., London time, on September 17, 1993 (or such later time to which CARCO may extend this consent solicitation (the "Expiration Date")). In order to consent a Holder must, by the Expiration Date, (1) deliver their Certificates or valid evidence of their ownership thereof in a form reasonably satisfactory to The Chase Manhattan Bank, N.A., as Consent Solicitation Agent, at its offices at Woolgate House, Coleman Street, London EC2P 2HD, England; and (2) execute and deliver to the Consent Solicitation Agent the form of Consent Certificate provided by the Consent Solicitation Agent. Certificates delivered in connection with a consent will be held in trust by the Consent Solicitation Agent and released once all consents have been tallied by the Consent Solicitation Agent.

Holders should contact the Consent Solicitation Agent, the Trustee or Swiss Bank Corporation at their respective telephone numbers and locations set forth below to obtain copies of an Information Statement disclosing further information concerning the consent procedures and the Amendments, the reasons therefor and the consequences thereof.

#### CONSENT SOLICITATION AGENT

The Chase Manhattan Bank, N.A.  
Woolgate House  
Coleman Street  
London EC2P 2HD, England  
Attention: Raymond Morison  
Telephone: (071) 962-7155  
Telex: (071) 962-5565 or 5679

#### TRUSTEE

The First National Bank  
Two World Trade Center  
New York, NY 10048, U.S.A.  
Attention: John McGurn  
Telephone: (212) 898-2513  
Telex: (212) 321-2498

Swiss Bank Corporation  
Suisse Bank House  
1400 Timber Street  
London EC4V 3BB, England  
Attention: Miranda Mengle  
Telephone: (071) 711-2715  
Telex: (071) 711-3001

Certificateholders whose Certificates are held by Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System ("Euroclear") or by Codel S.A. ("Codel") should contact the following for further information:  
Euroclear: Fixed Income Department, Telephone: Brussels (322) 224-1378; Telex: 61025  
Codel: Custody Administration Department, Telephone: Luxembourg City (352) 44 99 25 22; Telex: 2791.

#### Chrysler Auto Receivables Company

August 13, 1993

### Redemption Notice

## Nacional Financiera, S.N.C., Trust Division

### as Trustee of the Nafin Finance Trust

Guaranteed Floating Rate Notes Due 1997

CUSIP No. 629718-AA5\*

NOTICE IS HEREBY GIVEN, pursuant to the Indenture dated as of December 15, 1992 under which the above described Notes were issued that Nacional Financiera, S.N.C., Trust Division, as Trustee of the Nafin Finance Trust will redeem on September 15, 1993 9,243,506% of the Outstanding Principal Amount of the Notes, amounting to \$11,190,000, on a pro rata basis in accordance with their respective Outstanding Principal Amounts. The amount of principal to be paid with respect to each \$10,000 principal is \$73.67.

On September 15, 1993, there will become due and payable on each Note the above amount, together with interest accrued to September 15, 1993. On and after such date interest will cease to accrue on the Notes (or portion thereof) so redeemed.

Payment of the redemption amount plus accrued interest on Dealer Notes will be made upon presentation and surrender of the appropriate coupon to one of the Paying Agents listed below:

Citibank, N.A.  
336 The Strand  
London WC2R 1HB  
England

Citibank (Luxembourg) S.A.  
16 Avenue Marie-Thérèse  
Grand Duché de Luxembourg  
Luxembourg

CITIBANK, N.A.

as Note Trustee

\*This CUSIP number has been assigned by Standard & Poor's Corporation and is included solely for the convenience of the Notes. Neither the Nafin Finance Trust nor its Trustee are responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness on the Notes or as indicated in this notice.

### NOTICE

As of January 1, 1993, withholding of 31% of gross proceeds of any interest payment made within the United States may be required by the Internal Revenue Code of 1986, as amended by the Energy Policy Act of 1992, unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

### ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

## ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED

PROPOSED RENOUNCEABLE OFFER TO SUBSCRIBE FOR SHARES IN EASTVAAL GOLD HOLDINGS LIMITED ("EASTVAAL")

The Financial Times plans to publish a Survey on

## MEXICO

### on Monday, October 11th 1993

against a backdrop of next year's Presidential elections, and with the North American Free Trade Agreement still hanging in the balance.

The survey will include among other topics, assessments of the economy, the banks and brokerages, and examine Mexico and its standing on the international markets, as well as spotlighting the country's most important companies.

Information on advertising opportunities and rates can be obtained from Paul Maravaglia on 071-873 8447 or Fax 071-873 3596.

The attention of ordinary shareholders of AAC and Ampol is drawn to the announcement published today by Eastvaal regarding the offer by Eastvaal. It is proposed that the Eastvaal offer will be made to, inter alia, ordinary shareholders of AAC and Ampol registered in the books of the respective companies at the close of business on Friday, 27 August 1993. In order to determine those persons entitled to receive the offer, the relevant Head Office and United Kingdom transfer registers and registers of members of the companies will be closed from 28 August to 4 September 1993 for purposes of the offer.

Subject to a final decision to proceed with the offer the following will be the salient dates thereof:

Order terms released Monday, 23 August  
Last day to register for offer Friday, 27 August  
Offer opens 09:00 Friday, 3 September  
Eastvaal Prospectus and Renounceable Letters of Allocation posted Friday, 3 September  
Offer closes 14:30 Friday, 24 September

Should there be any change to the above mentioned dates an announcement to this effect will be published in the press.

Johannesburg 13 August 1993

Head Office: 44 Main Street Johannesburg 2001

London Offices: 19 Charterhouse Street London EC1N 6QP

This announcement has been approved solely for the purposes of Section 57 of the Financial Services Act 1986 by S.G. Warburg Securities Ltd, a member of the Securities and Futures Authority. The value of Eastvaal shares may fall as well as rise. Dividends on Eastvaal shares may fluctuate. Changes in rates of exchange for South African and United Kingdom currencies may have an adverse affect for United Kingdom holders of Eastvaal shares on the value of, or dividends on, their Eastvaal shares.

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All foreign companies wishing to conduct business in Russia need to register there. In Moscow, registration is handled by the Moscow Registration Chamber. Fortunately, this process can be relatively quick and easy, thanks to Financial Izvestia which is now offering the Moscow Registration Chamber's own Guide to Registering Companies in Moscow. Written in English and in collaboration with the international law firm, Salans Hertzfeld & Heilbronn, this invaluable Guide

- Enables you to select the most suitable legal structure for an enterprise
- Supplies checklists so you avoid common mistakes when registering
- Provides sample registration forms and letters to obtain the relevant authorisations
- Lists addresses and contact details of key agencies in Moscow

Much of this information is simply unavailable elsewhere and will be of real practical everyday use to anyone intending to do business in Russia, as well as legal, financial, accounting and other advisors.

The Guide to Registering Companies in Moscow is available exclusively from Financial Izvestia - to order your copy, see below.

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## Additional Interest Statement The Walt Disney Company

U.S. \$400,000,000

Senior Participating Notes Due 1999

- ☒ Quarterly Statement for the period from April 1 to June 30, 1993 (the "Period")  
☐ Semiannual Statement for the period from February 28, 1993, to August 31, 1993 (the "Period")  
☐ Annual Statement for the period from September 1, 1993, to August 31, 1994 (the "Period")

Pursuant to the terms of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to Holders of such Notes in this Statement have the maturing interest payments on the Notes and the Fiscal Agency Agreement dated as of October 1, 1992, between the Company and Citibank, N.A., as Fiscal Agent, Principal Paying Agent, Transfer Agent and Registrar. The information contained in this Statement is given for both the Period covered by this Statement (indicated by the box checked above) and for the period from October 20, 1992, the date of issuance of the Notes (the "Issue Date"), through the end of the Period covered by this Statement.

This Statement is accompanied by a descriptive report discussing the activity and status of Eligible Films. Copies of such descriptive report can be obtained by Holders of the Notes upon request to the Fiscal Agent at the following address and telephone number: Citibank, N.A., 120 Wall Street, New York, New York 10038; Attention: Corporate Trust Department; telephone: (212) 412-6214. If this Statement is an Annual Statement, it is also accompanied by a supplemental audit report of the Company's independent public accountants. In this Statement, references to "S" are to United States dollars.

1. Names of Eligible Films included in the Portfolio:
- |                                      |   |
|--------------------------------------|---|
| a. For the Period:                   | b. From the Issue Date through end of Period: |
| <i>The Adventures of Huck Finn</i>   | <i>A Muppet Christmas Carol</i>               |
| <i>Indian Summer</i>                 | <i>The Cemetery Club</i>                      |
| <i>Gully As Sin</i>                  | <i>The Adventures of Huck Finn</i>            |
| <i>Life With Mikey</i>               | <i>Indian Summer</i>                          |
| <i>What's Love Got To Do With It</i> | <i>Gully As Sin</i>                           |
|                                      | <i>Life With Mikey</i>                        |
|                                      | <i>What's Love Got To Do With It</i>          |
2. Names of short subjects to which any portion of Total Revenues has been allocated:
- a. For the Period: N/A  
 b. From the Issue Date through end of Period: N/A
3. Names of the Eligible Films together with which the above short subjects were released:
- a. For the Period: N/A  
 b. From the Issue Date through end of Period: N/A

Form of Statement after inclusion of two Eligible Films in the Portfolio

	For the Period:	From the Issue Date through end of Period:
4. Aggregate Negative Costs of Eligible Films in the Portfolio	\$95,068,325	\$126,226,000
5. The Portfolio Amount	\$95,068,325	\$126,226,000
6. Aggregate Domestic Theatrical Rentals of Eligible Films in the Portfolio*	\$12,611,705	\$27,238,705
7. Calculation of Contingent Interest:		
Total Revenues	\$13,606,901	\$29,862,901
Distribution Fees	(2,381,208)	(5,226,008)
Estimated Third Party Participation Payments**	(680,345)	(1,493,145)
Residuals	0	0
Short Subject Revenues	0	0
Eligible Film Revenues	10,545,348	23,143,748
Base Amount	0	(302,000,000)
Eligible Film Revenues in Excess of Base Amount	0	0
Contingent Interest	X 50%	X 50%
Contingent Interest paid per \$1,000 principal of Notes	\$ 0.00	\$ 0.00
9. Supplemental Interest	\$ 0.00	\$ 0.00
10. Supplemental Interest paid per \$1,000 principal amount of Notes	\$ 0.00	\$ 0.00
11. Provisional Interest	\$ 0.00	\$ 0.00
12. Provisional Interest paid per \$1,000 principal amount of Notes	\$ 0.00	\$ 0.00

\* Domestic Theatrical Rentals of Eligible Films in the Portfolio are adjusted on a pro rata basis in the same manner as Eligible Film Revenues are prorated pursuant to the Notes.

\*\* Actual Third Party Participation Payments are used with respect to the Final Interest Payment.

If this Statement is an Annual Statement, the Company has indicated below whether any default by the Company in the performance and observance of its obligations under the Notes or the Fiscal Agency Agreement has occurred and/or is continuing.

☐ No Default  
☒ Yes/Description:

The Walt Disney Company

By: /s/ Richard D. Nardula  
Chief Financial Officer

## URGENT MESSAGE

FOR ALL COMPANIES MAILING TO COMPANIES HOUSE

During the industrial dispute at Cardiff Post Office all documents for Companies House should be sent to: "Companies House Headquarters", 55-71 City Road, London EC1Y 1AB.

Alternatively, documents may be delivered by hand to any Companies House office. Our Cardiff and London offices are open 24 hours a day, 7 days a week. Manchester, Birmingham and Leeds offices are open from 9am to 4pm on working days.

We are also a member of the DX, operated by Bridgoc Ltd, and documents may be sent to the Cardiff office using DX 39050, Cardiff 1.

Postal Search customers will not be affected if they use telephone, fax, or Companies House Direct to place their requests.

Please use these numbers for more information:

CARDIFF 0222 380301 (General enquiries)

CARDIFF 0222 380610 (24 hour recorded update)

COMPANIES HOUSE

Crown Way, Cardiff CF4 3UZ.

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FUTURES PAGER

## COMPANY NEWS: UK

# Turnround at Royal Insurance

By Richard Lapper

ROYAL INSURANCE yesterday reported a sharp recovery in its interim results, with pre-tax profits of £52m for the first six months of 1993 compared with losses of £13m. Earnings per share rose to 9.3p against losses of 18.3p and the interim dividend is lifted by 25 per cent to 2.5p.

The City, however, appeared disappointed with the result, which fell short of some more optimistic expectations. Following strong growth in recent weeks the shares fell 11p to close at 333p.

Royal said that it would launch a new direct motor insurance subsidiary on a national basis in September following a successful trial period of operation in the north of England.

Like The Insurance Service, based in Bristol, Royal Northern Direct will be a telematics operation, bypassing the insurance broker. ITS now insures about one third of the 1m motorcars insured by Royal and is growing rapidly.

Commenting on the results, Mr Richard Gamble, chief executive, said "we are definitely on our way back."



Richard Gamble: the group is definitely on its way back

Mr Gamble's appointment was accompanied by a change in management style at Royal and the introduction of a more disciplined approach to underwriting, including sharp increases in premium rates.

Pre-tax losses have gradually fallen from their peak of £373m in 1991, with a recovery in the UK underpinning the improvement.

per cent to £836m (£768m). DMI losses for the year are expected to reach £90m. Underwriting losses at Royal Re, the reinsurance subsidiary, were also higher than expected, reaching £45m (£26m).

Overall underwriting losses fell to £207m (£310m). Investment income - at the general insurance subsidiary - rose to £250m (£238m) before loan interest.

Income from associated undertakings rose to £13m (£5m), while losses on estate agency business fell to £8m (£9m). Profits from life insurance fell to £25m (£27m).

Loan interest payments at holding company level amounted to £21m. At the insurance subsidiary loan interest amounted to £3m (£19m), long-term insurance profit £1m (£12m losses) and minority interests losses of £2m (£2m profits).

Capital and reserves increased to £2,076m (£1,508m) and include realised gains of £90m (£275m) and unrealised gains of £50m (loss of £184m).

At June 30 the solvency ratio amounted to 56 per cent, compared with 42 per cent at end-December.

See Lex

# Lilleshall raising £9.7m to fund glass buy

By Roland Rudd

LILLESBALL yesterday launched a 1-for-3 rights issue, raising £9.7m, to buy St Helen's Glass and eliminate net debt.

The building products and engineering group also reported an 11 per cent fall in pre-tax profits, from £2.6m to £1.6m, for the half year to July 2.

The new shares are offered at 125p. The shares yesterday rose 8p to close at 163p.

The acquisition of Chartwell, the holding company of St Helen's Glass, is costing £6.25m, including £133,180 for the cancellation of options held by senior managers.

This will be financed by 3.7m of new shares, raising £4.6m. £750,000 of unsecured guaranteed convertible loan notes, £117,081 in cash and 484,497 shares not to be sold before the end of next year, except in limited circumstances.

In the year to end-March St Helen's

Glass made pre-tax profits, adjusted for extra directors remuneration and other non-recurring costs, of £705,000 (£953,000) on sales of £14.7m (£15.3m).

Lilleshall's results were restated to comply with FRS 3, showing the first half of 1992 benefiting from exceptional credits which were not repeated this year.

Sales were £31.3m (£25.7m). Earnings per share rose to 5.4p (5.1p) and the interim dividend is lifted from 1.6p to 1.7p.

# TransAtlantic improves to £30m

By Vanessa Houlder, Property Correspondent

TRANSATLANTIC Holdings, the property and life assurance group which obtained a London listing last year, yesterday announced a 7 per cent rise in pre-tax profits from £28.1m to £30.2m for the six months to June 30.

Mr Donald Gordon, chairman, said there had been "solid progress" by the property sector and an "excellent advance" by Sun Life in a very challenging life insurance environment.

"Taking into account our ambitious future plans, the company looks forward to realising some of its exceptional

potential in the period ahead," he said.

TransAtlantic is owned jointly by Liberty Life, the South African life assurance company, and Union des Assurances de Paris, France's largest insurer. It owns 50 per cent of Sun Life Holdings, the UK life insurer, and Capital & Counties, the property company.

On June 2 the group announced that it held 3.01 per cent of Sun Alliance, the UK insurer, as a "strategic" investment. It said it was currently concentrating its efforts in North America in its investigation of opportunities to develop its interests in the international life insurance business.

Property investment income from Capital & Counties increased from £33m to £36m.

Sun Life's new business results showed a growth in regular premiums of 36 per cent from £42.1m to £57.2m and a growth in single premiums of 23 per cent to £1.04bn.

Net assets per share at June 30 stood at 272p, compared with 307p a year earlier and 274p at December 31 1992.

A substantial take-up of the scrip dividend alternative for the 1992 final resulted in a reduction in the tax charge from 30 per cent to 18 per cent. This helped earnings per share rise 18 per cent from 5.09p to 5.98p. An unchanged interim dividend of 6p is declared.

# Johnson Cleaners hits £8.7m

By Peggy Holfinger

SHARES IN Johnson Group Cleaners rose 13p to 835p as the dry cleaning company reported a 17 per cent jump in interim pre-tax profits from £7.4m to £8.7m.

The results for the six months to June 26, struck on a 9 per cent increase in sales to £81.7m (£74.5m), were largely due to currency gains and the acquisition of a workwear rental company earlier this year.

The interim dividend is maintained for the fourth consecutive year at 7p, while earnings improved from 22.54p to 30.04p per share.

Mr Terry Greer, chairman,

said trading in both the US and UK remained difficult, with dry cleaning sales and margins under continuing pressure.

Mr Greer was slightly more upbeat on prospects than in recent years, however, hinting that the group might be ready to return to the acquisition trail in the next year or so.

"There are signs of a tentative economic recovery, which must make us more optimistic." Yet, he added the caveat that Johnson had not seen "evidence of anything sustainable".

Exchange rates added £290,000 to operating profits, while Imperial & Queen Lau-

dries, acquired in January for £2.9m cash, contributed £280,000.

These helped increase operating profits by 7 per cent to £9.2m. The pre-tax figure was further helped by a £464,000 drop in net interest charges to £391,000.

Mr Greer said the dry cleaning business in the US had been hit by the severe winter and summer flooding. The franchise business continued to incur losses, although lower than last year.

Workwear rental, which had improved in the first half, would be the focus of growth in the US. This was likely to mean acquisitions in the next year.

# Blagden tumbles to £3m

PROFITS of Blagden, the packaging and chemicals group, fell from £6m to £3.04m pre-tax for the 25 weeks ended June 27. Turnover was lower at £116.9m, against £118.1m.

With a need for "prudent husbanding" of group resources the interim dividend is cut from 4.5p to 1.5p. Earnings declined to 2.1p (7.3p).

Turnover and pre-tax profits benefited by £10.3m and \$500,000 respectively from the devaluation of sterling. Profits also included £817,000 from the sale of property.

The directors said comparison with the second half of 1992 was more meaningful when turnover of £111.5m and pre-tax profits of £1.83m were achieved. The loss set against these results the performance of the first half of 1993 pointed to a significant recovery.

Operating profits of the pack-

aging division fell from £8m to £4.06m while those from chemicals declined from £2.14m to £1.44m.

# Management buys Lowe Alpine

Lowe Alpine, the outdoor pursuits equipment group, has been bought by its management in a deal worth £14.4m from Famco Holdings.

The Cumbria-based company reported sales of £22.3m in the year to March 31 1993.

The funding includes £5.3m equity from Philander Ventures and bank loans of £8.6m.

Famco is a private company owned by the Clarke family and has a controlling stake in Silentnight.

# Brandon Hire turns deficit

Losses at Brandon Hire, the USM-quoted hirer of power tools, catering equipment and furniture, were reduced from £281,000 to £14,000 pre-tax for the 12 months ended April 30.

Turnover slipped to £3.87m (£3.98m).

Earnings emerged at 0.44p (losses 1.72p). The dividend for the year is being omitted - last time only an interim of 0.1p was paid.

# Transfer Technology \$3.9m acquisition

Transfer Technology has acquired the business and certain assets of Coherent General from Coherent of the US.

Cash consideration of \$3.9m (£2.6m) represents the net book value of the assets and liabilities.

Shirescot net asset value rises to 129.9p

Shires High-Yielding Smaller Companies Trust reported net asset value of 129.9p at June 30, compared with 109.6p six months earlier. The trust was launched in August last year.

Net revenue for the half year to end-June was £388,000 for earnings per share of 3.1p. A second interim dividend of 1.1p

is declared, making a total so far of 2.1p.

# Relyon shares rise after 29% growth

Relyon Group, the beds and bedroom furniture manufacturer and supplier of surveillance equipment, reported a 29 per cent increase in pre-tax profits for the first half of 1993.

Mr Ralph Platt, chairman, said that following the 1992 restructuring all subsidiaries were contributing to profits.

The shares rose 11p to 205p.

On turnover of £20.1m (£21m) pre-tax profits were up from £1.5m to £1.94m.

Earnings came out at 6.15p (4.77p). The interim dividend is increased to 1.5p (1.75p).

# Turnround for Sleepy Kids

A turnround from losses of £109,000 to pre-tax profits of £3,000 was announced by Sleepy Kids, the USM-quoted children's animation and merchandising group, in the half

year to April 30.

Mr Martin Powell, chairman, said the results reflected the progress the group continued to make not only with *Budgie the Little Helicopter*, the character created by the Duches of York, but also with its other properties.

Turnover amounted to £127,000 (£80,000).

EFM share offer oversubscribed

An offer of shares in EFM Small Companies Trust, a new investment trust, has been oversubscribed. The trust received applications for shares worth £82.9m, but has scaled them back so that the amount raised, after expenses, was £48m.

Those who applied for between 500 and 3,000 shares will receive 100 per cent of their application; those who applied for between 3,500 and 5,000 shares will receive 80 per cent; 5,500-10,000 shares - 60 per cent; 10,500-100,000 shares - 20 per cent; over 100,000 shares - 10 per cent.

Dealings in the shares and warrants will start on August 19.

# Baldwin restores interim pay-outs

Losses at Baldwin, the holidays, printing and properties group, widened from £2.02m to £2.25m at the pre-tax level for the half year ended April 30.

However, in view of the strong financial position of the group and the current state of trading interim dividends are being restored via a 1.6p payment.

The deficit was a direct result of the accounting policy of the tour operating division, which recognises revenue only on the departure of customers on holiday. Since virtually all holidays take place in the second six months "there is little turnover and little profit" from this division at the interim stage.

Turnover doubled to £8.4m and losses per share worked through at 9.03p (7.98p).

Cash balances at period end stood at £5.4m (£4.5m).

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In accordance with the provisions of the Notes the following notice is hereby given:

Interest Period: August 11, 1993 to February 11, 1994 (184 days)  
 Interest Rate: 6.25 % p.a.  
 Coupon Amount: U.S. \$ 134.17 per U.S. \$ 1,000 Note  
 U.S. \$ 2,863.33 per U.S. \$ 100,000 Note  
 Payment Date: February 11, 1994  
 Frankfurt/Main, August 1993  
**COMMERZBANK AG**

**Correction Notice**  
**Japan Leasing Corporation**  
 US \$50,000,000  
 Guaranteed Floating Rate Notes due 1995

Please note that the interest payable on December 31, 1993 will be US \$9,603.30 in respect of each US \$500,000 Note and not US \$9,603.29 as initially published.

**BANQUE NATIONALE DE PARIS**  
 USD 400,000,000 Floating Rate notes 1994 due 1995

The rate of interest applicable to the interest period from 10 August 1993 to 10 February 1994 as determined by the reference rate is 5.25 per cent per annum namely USD 368.33 per bond of USD 10,000

**MAES Funding**  
 No. 2 PLC

£300,000,000  
 Mortgage Backed  
 Floating Rate Notes due 2017

Notice is hereby given that the rate of interest has been fixed at 6.4375% for the interest period 11th August, 1993 to 11th November, 1993.

The interest amount payable on 11th November, 1993 will be £655-33 in respect of each £40,400 Principal Amount Outstanding of each Note.

Agent Bank  
 11th August 1993

**Screen Finance**

Screen Finance is the authoritative newsletter on the film, television and video industries throughout Europe. Published twice-monthly by Financial Times Newspapers, Screen Finance has established a reputation for in-depth, accurate and often exclusive reporting. It has been designed to provide industry specialists with up-to-the-minute news and analysis on the financing, production, distribution and showing of feature films, major television programmes and videos worldwide.

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**FINANCIAL TIMES**  
 NEWSLETTERS

**COMPAGNIE DES SAINTS-PIERRES**  
 ISSUUE OF 111,185 PARTICIPATIONS  
 ECU 10,000,000 WITH WARRANTS

For the calculation of the coupon payable on 10th February 1994 the net consolidated profit (before tax and minority interests) for the period 1st January 1993 to 31st December 1993 is estimated to be FF 2,377,777,777. At the 100% ECU (FF 1,125,000,000) the estimated coupon to be paid is estimated to be FF 2,377,777,777. At the applicable 100% to 100% for coupon as calculated in the consolidated financial statements of 1993, the estimated coupon payable on 10th February 1994 will be ECU 413.53 per five participations of ECU 10,000,000.

**THE WARDLEY CRINA FUND LIMITED**

Unaudited NAV per share as at 31st July, 1993

US\$9.76

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# Hong Kong's contribution rises to £122m

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## ACCOUNTANCY COLUMN

## Chinese practitioners ready for their great leap forward

The search for new investors is resulting in radical reform of accounting practices, says Andrew Jack

GETTING TO grips with business in China is like trying to grapple with chopsticks for the first time. One slip and the food can easily slide from the grasp, crashing into a bowl and splashing soy sauce in all directions.

The fledgling role of Western accounting in the world's most populous country is equally precarious. But a series of initiatives is now poised to bring about radical reform.

The search for overseas equity is forcing a number of large Chinese companies to overhaul their accounting practices in an effort to meet tough listing requirements. Several tens of thousands are adjusting to different standards for joint ventures already in place.

But from last month, many hundreds of thousands more – supposedly all Chinese enterprises – have on paper also been required to comply with new, more internationally-oriented reporting requirements.

Traditional Chinese accounting was well geared to cope with the demands of the Communist system in the region. Like the equivalent in the former Soviet Union, it served the purposes of the state effectively. It is less equipped to cope with changing pressures on the economy in the 1990s.

The system was funds-based. The emphasis was to show how money provided by the state was used, and how far production quotas were being met. There was less interest in profits or the long-term viability of an enterprise.

The format was rigidly set out in law, with strict requirements on how accounts were presented. Mr Neal Stow of Price Waterhouse says that in

the UK, directors may change an accounting treatment to achieve a desired figure; in China their counterparts had to carry out the transaction itself in a different way if they wanted to change a number while complying with the regulations.

The Chinese system was also geared towards statistics, providing data for economic planning to the different ministries and especially to the tax authorities.

That means there is extensive financial information on each enterprise, though most of it is stored manually. The quantity of data, combined with low staff turnover so that those who prepared the figures are generally still contactable, means that accountants have been able to re-cast figures shown in previous years more in line with international standards.

The conversions often produce substantially different results. Mr Meocre Li, who takes over as partner in charge of Hong Kong and China for Arthur Andersen next month, says Chinese accounting lacks the concept of prudence, so there are generally no provisions for bad debts or obsolete inventory.

On the other hand, enterprises were required to make provisions – taken after profits – for staff welfare, bonuses and other costs. He lists a wide range of other differences: accounts are not consolidated; foreign currency transactions are translated at meaningless official rates; depreciation is far slower than in the West; and there is inconsistent application of capitalisation of interest charges.

When Andersen re-cast to international standards the accounts of Shanghai Vacuum as originally

reported, net profit rose from Rmb14.7m to Rmb73.4m (£8.6m) for the nine months to September 30 1991, and net assets fell from Rmb233.8m to Rmb198.6m. At Shanghai Chlor-Alkali, net profit fell from Rmb68.7m to Rmb3.3m for the year to December 31 1991. The smaller net change at China Southern Glass – cutting profits from Rmb10.4m to Rmb6.5m in the seven months to July 31 1991 – concealed large variations that cancelled each other out.

Joint ventures have always been required to report more in line with international standards. But since July, the Ministry of Finance's "Accounting standards for business enterprises", with a similar thrust, theoretically became mandatory for all companies.

Even this new standard differs from international requirements, Meocre Li stresses, in forbidding full consolidation. For instance, he says, "With world accounting going in one direction, I don't think China has a choice."

Earlier this year, Deloitte Touche Tohmatsu won a \$2.6m contract from the World Bank to help design new standards. Mr Ted Lee, the firm's managing director for China, says it expects to produce about 30 general and special topic standards and a further 10 for industry sectors over the next three years. Price Waterhouse has been separately awarded a contract to recommend changes to financial reporting for banks.

For those trying to interpret Chinese accounts in the past, Meocre Li points out another difficulty. The country's approach to auditing has

been as different from other parts of the world as its financial reporting.

The standards used by the local certified public accountants (CPAs) vary considerably, with only vague official guidelines in place. The annual audit is normally conducted by discussion over just one or two weeks, and up to a maximum of three weeks for even the largest businesses. There is no history of auditors verifying evidence from third parties, and they are not generally present at stock takes.

Meocre Li says there is also a potential conflict of interest under the existing system, since audit firms are themselves essentially branches of the Ministry of Finance, to which they report their findings and on which they rely for information on the enterprises being scrutinised.

Mr Patrick Paul, senior partner elect of Price Waterhouse for Hong Kong and China, expresses what he calls "question marks rather than reservations" about the nature of auditing in China. He wonders how far it is essentially a Western concept requiring confrontation and probing by junior staff, which sits uneasily with Eastern ideas of "saving face" and respect for seniority.

Certainly even for the "Big Six" firms eager to expand in China, there is extreme sensitivity over handling businesses' figures. Any qualification would destroy the chances of a stock exchange listing. Instead, there have been considerable delays in producing the accounts of companies being prepared for flotation while adjustments are made.

That has not deterred the international accountancy firms from expanding in the country. At present,

most of their business has come from tax, investment and due diligence work for foreign clients looking for Chinese joint venture partners.

Most of the firms say they are unlikely to be generating profits within the country for at least five years. Stretched to capacity in the meantime, there are suggestions that they are subsidising their fees to gain important contracts.

Yet few doubt the need to exploit China's rapid expansion, and have lost little opportunity to exploit new regulations or test grey areas in the law in their efforts to expand their operations. Andersen has probably gone furthest. During most of the 1980s, the firm was only able to establish "representative offices" which were not permitted to generate income.

Andersen managed to create a wholly foreign-owned business in Shanghai in 1991, which allowed it to hire local people and conduct business. Along with several other firms, it has now established a joint venture which allows it to carry out all the functions of local CPAs.

It plans to build a training centre in China, and is already hiring many young local staff. Mr Ivan Chan, managing partner for China, says the recruits are highly-skilled. The only problem is the country's one-child per family rule has created a pampered new generation with high expectations, making staff retention difficult.

But Meocre Li is confident that the effort will be well rewarded in time. By the year 2000, he predicts that Andersen in China will be generating revenues of more than the \$100m a year currently billed in Hong Kong.

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Investment Management

City

IMRO - Investment Management Regulatory Organisation Limited - is responsible for the regulation of investment management under the Financial Services Act. It has over 1,200 Members, including fund managers, unit trust managers, pension fund managers, venture capital companies, banks and trustee companies.

Our Member Assessment Department is responsible for the initial assessment of applications for membership of IMRO and for the subsequent monitoring of the investment management activities of Members. We now wish to recruit additional Member Assessment Officers to work as part of monitoring teams reporting to Team Leaders.

All candidates must have significant and directly relevant, practical experience in, for example: regulation; financial services investigations/auditing; unit trusts; investment management; investment administration; or compliance.

Applicants should be of graduate calibre and must have an enquiring, analytical mind and a high level of interpersonal and communication skills.

The posts could be of interest to those from the unit trust and investment management industry or accountancy seeking a change of career direction. They offer an excellent opportunity to make a positive contribution to regulation and to gain valuable personal and career development experience. A fully competitive remuneration package will be offered, including non-contributory pension and life assurance.

Please write (under confidential cover) with a curriculum vitae, including salary, and state your reasons for applying and how you meet the requirements of the position, to: Robert Charleston, Head of Personnel, IMRO, Broadwalk House, 5 Appold Street, London EC2A 2LL. Please quote reference number MA93/08.



## SALES/DISTRIBUTION

Our organisation is a premier investment bank specialised in Latin America and affiliated with one of the world's leading Japanese financial institutions. We are dedicated to the bridging of capital flows between Latin America and the rest of the world, with particular focus on Japan and the Far East.

We are currently looking for a top salesperson to be responsible for the sales and distribution of debt securities and related derivatives originated out of Latin America, with potential expansion into equities in the future. The position will be based in Hong Kong. He/she will be actively involved in the development and expansion of an investor base for these products. Candidates are likely to be in their late 20s/early 30s, have proven sales securities record, an established client base and an understanding of emerging markets.

We offer a highly competitive compensation package, professional challenge and a unique opportunity to be an influential member of a growing and successful investment bank boutique.

Members of our team will be available in Hong Kong from August 16 until August 20 for interviews with candidates. If you would like to be considered for this position please contact Messrs T. De Coene/O Silva at the Hong Kong Hilton Hotel telephone 852 523 3111, Messrs T. De Coene/O Silva from August 14 until August 20. Alternatively please mail your resume to the following address: Box B1625, Financial Times, One Southwark Bridge, London SE1 9HL, England.

## Swiss Cantobank Securities Limited

### MARKETING ACCOUNT EXECUTIVE

Required by reputable Securities Company based in the City to perform a marketing function, primarily to Swiss Banks and institutional customers in Switzerland, for a broad range of products including Euro-bonds and Euro-equities.

We are looking to expand and strengthen our Capital Markets Section with an additional Account Executive. Applicants must have a minimum 5 years experience and be fluent in at least one European language, preferably Swiss German.

Applicants should hold Registered Representative status with the SFA and/or an I.S.M.A. Diploma.

An attractive salary plus an excellent benefits package is offered.

Applicants should write, enclosing CV, to Mrs Stiefel, Swiss Cantobank Securities Limited, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AS.

The International Securities of the Swiss Cantonal Banks

## PERSON WITH FUTURES & OPTIONS EXPOSURE

Italian language skills. Must be able to relocate. Send details to:

First Continental Trading  
FAO Marc Warshell  
Buckingham House, 1st Floor,  
62/63 Queen Street, London EC4R 1AD

## BOND DERIVATIVES TULLETT & TOKYO INTERNATIONAL SECURITIES

Tullett & Tokyo is one of the largest Interdealer Brokers with an extensive global network of offices. We seek individuals with good technical knowledge of the Bond markets to join our Bond Derivative team.

The ideal candidate will have experience in Bond Options or REPOs and should be numerate. Successful candidates will be aggressive and good communicators with strong interpersonal skills.

Salary and benefits are negotiable. To apply please send a full C.V. to:

DOUGLASS WELCH, Director  
TULLETT & TOKYO INTERNATIONAL SECURITIES  
Cable House, 64-62 New Broad Street, London EC2M 1JJ  
FAX: 071-827 2758

## SENIOR CREDIT ANALYST FRENCH/GERMAN to £50,000 + Bonus + Banking Benefits

Two opportunities have arisen in London to join top US Investment Bank's global risk management team. Ideally you should be a graduate, formally trained credit analyst with knowledge of capital markets, structured trades and derivative products. It is essential that you have fluent French or German with excellent credit, counterparty assessment skills and experience gained within a major Bank or rating agency in London, Paris or Germany.

Please contact Ron Bradley on 071-623 1266.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants  
No. 1 New Street, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

## TOTAL QUALITY MANAGER

We are currently seeking a high calibre individual to take responsibility for defining and implementing solutions for Total Quality Management, focussing on Scandinavia.

Your key responsibility will be to improve, through TQM, the quality of service to our Scandinavian client base. You will interface with both clients and sales/marketing groups to ensure that TQM practices are implemented across all Transaction Banking products.

You must have experience of successfully implementing TQM principles within a large financial institution and possess an in depth knowledge of Scandinavian business culture and language. In addition you should be qualified to MBA level and be familiar with Transaction banking products and the wider European market.

If you feel able to meet the challenges of this role, please send your CV to Geraldine Way, Account Director, Riley Advertising, Riley House, 4 Red Lion Court, Fleet Street, EC4A 3EN.



We are an equal opportunities employer











**INVESTMENT TRUSTS - Cont.**

## HOTELS & LEISURE - Cont

	Notes	Price	%	High
14-Tec Sports	\$14	45	-	5
BAC Intl	2	6	-	6
Jurys Hotel 12		103 1/2	-	130
Korich		11 1/4	-	32
8 1/2pc Cr Pt		63	-1	
Ladbrook		200	-1	2
Magnolia		87	-	
Men Ltd		464	+7	4

5	Starbuck Green S	80		
5	Milford	414		
4	Onwata Nord	80		
1	940 Co Pt	185		
1	Pailcon	684		
7	Prism Lake	135		
7	Quascent	28		
5	Quascent Mont	471.9		
5	700 Co Pt	1048		
5	700 Co Pt	858		
5	Ratnador's (6)	1738		

Rank	Up		784		
64 up Co Pl.	*		133	+1 $\frac{1}{2}$	
Regal Hotel	*		14		
Riviera Hotels	*		499		
Ryan Hotels C	a		762		
Savoy A			640	-1	
Sherry Kids	*		28	-1	
Starks	*g		662		
Stanley Leds			343		
Steinberg	*		672	-1	
Sunny	*		24		

	Yearling	Two Year Old	Three Year Old	Four Year Old	Total
Tony Dan	380-4	-	-	-	380-4
Thorn Hill	79-1	21	-	-	100-1
Ticketing Gap	25-2	6-6	-	-	31-8
Pompano Lake	17	-	-	-	17
Loderham	190	-	-	-	190
Vardon	96	-1	-	-	95-1
Verly	67-2	-	-	-	67-2
Wesley	15	-	-	-	15
Whitgate	36	-	-	-	36
Zellers	120	-	-	-	120

Notes	Price	+ or -	High
Alcoa & Alcoa S.	276 1/2	- 1/2	279 1/2
11pc Cr S.	280		
Archer (A.I.)	45		
Berry Stock	260		
Brandsack	143		

Heath (12)	400	+0	2
Hogg	218		2
Jib	213	+2	3
Lloyd Thompson	334		3
Lowndes Lane	429		3
Marion McLan S	280 7	+1 1/2	357
Oriel	84		
PKS	88		
Serpentick	202	+3	2
Steel Burnt J	294	+1	2
Storck	69		

Notes	Price	+ or -	Ins
Argon FL	531 1/2	-1/2	530 3/4
Argon GIL	538 1/2	-11 1/2	527 1/4

9	American Can Co	5222	14	5222
10	American Can Co	5222	15	5222
11	American Can Co	5222	16	5222
12	American Can Co	5222	17	5222
13	American Can Co	5222	18	5222
14	American Can Co	5222	19	5222
15	American Can Co	5222	20	5222
16	American Can Co	5222	21	5222
17	American Can Co	5222	22	5222
18	American Can Co	5222	23	5222
19	American Can Co	5222	24	5222
20	American Can Co	5222	25	5222
21	American Can Co	5222	26	5222
22	American Can Co	5222	27	5222
23	American Can Co	5222	28	5222
24	American Can Co	5222	29	5222
25	American Can Co	5222	30	5222
26	American Can Co	5222	31	5222
27	American Can Co	5222	32	5222
28	American Can Co	5222	33	5222
29	American Can Co	5222	34	5222
30	American Can Co	5222	35	5222
31	American Can Co	5222	36	5222
32	American Can Co	5222	37	5222
33	American Can Co	5222	38	5222
34	American Can Co	5222	39	5222
35	American Can Co	5222	40	5222
36	American Can Co	5222	41	5222
37	American Can Co	5222	42	5222
38	American Can Co	5222	43	5222
39	American Can Co	5222	44	5222
40	American Can Co	5222	45	5222
41	American Can Co	5222	46	5222
42	American Can Co	5222	47	5222
43	American Can Co	5222	48	5222
44	American Can Co	5222	49	5222
45	American Can Co	5222	50	5222
46	American Can Co	5222	51	5222
47	American Can Co	5222	52	5222
48	American Can Co	5222	53	5222
49	American Can Co	5222	54	5222
50	American Can Co	5222	55	5222
51	American Can Co	5222	56	5222
52	American Can Co	5222	57	5222
53	American Can Co	5222	58	5222
54	American Can Co	5222	59	5222
55	American Can Co	5222	60	5222
56	American Can Co	5222	61	5222
57	American Can Co	5222	62	5222
58	American Can Co	5222	63	5222
59	American Can Co	5222	64	5222
60	American Can Co	5222	65	5222
61	American Can Co	5222	66	5222
62	American Can Co	5222	67	5222
63	American Can Co	5222	68	5222
64	American Can Co	5222	69	5222
65	American Can Co	5222	70	5222
66	American Can Co	5222	71	5222
67	American Can Co	5222	72	5222
68	American Can Co	5222	73	5222
69	American Can Co	5222	74	5222
70	American Can Co	5222	75	5222
71	American Can Co	5222	76	5222
72	American Can Co	5222	77	5222
73	American Can Co	5222	78	5222
74	American Can Co	5222	79	5222
75	American Can Co	5222	80	5222
76	American Can Co	5222	81	5222
77	American Can Co	5222	82	5222
78	American Can Co	5222	83	5222
79	American Can Co	5222	84	5222
80	American Can Co	5222	85	5222
81	American Can Co	5222	86	5222
82	American Can Co	5222	87	5222
83	American Can Co	5222	88	5222
84	American Can Co	5222	89	5222
85	American Can Co	5222	90	5222
86	American Can Co	5222	91	5222
87	American Can Co	5222		

1	Rockstar Inc.	1994	355	-11	330
2	Royal Ind.	1994	335	-	335
3	Stemline S&P	1994	212	-	212
4	Stemline S&P	1994	362	-5	342
5	Topline S&P	1994	288	-	288
6	Topline S&P	1994	56	-	56
7	Topline S&P	1994	222	+6	234
8	USF & S	1994	1228	+47	1278

	Male	Price	+ %
Strategic	10	430	1.1
Great Life Co.	11	272	1.1
Legal & Gen.	12	400	1.1
Liberty Life Africa	13	940	1.2
Liberty Nat'l	14	230	1.2
Lloyds Albany	15	420	1.2

8	Unit in Market .....	254	0.1	36
8	Per Share .....	332.2	+2.2	36
8	Balance .....	958		12
8	TransCanada .....	223		11
8	8.6pc Div FY .....	95	+2	9
8	Unit Property B .....	230		7

**INVESTMENT TRUSTS**

	Notes	Price	+ or -	High
Authorized by the Federal Reserve				
American S&W	173 1/2	+1	174 1/2	
Warren	81		81 1/2	
American S&W Inc.	94 1/2	+1 1/2	96 1/2	
Cap	98 1/2	+2	100 1/2	
Yield	28 1/2	+1	29 1/2	
American Bond Index	17	+1 1/2	18 1/2	
Warren	20 1/2	+1 1/2	22 1/2	

Atlantic New News	\$	1912	44	25
Warrenton		88	42	6
El Warrenton		85	43	
Atlantic New Trail	\$	736	—	14
Warrenton		42	—	
Atlantic P.R.	\$	519	41	7
Two Day P.R.		1512	412	194
Atlantic Scotland	\$	26	4	1
Albany		126	—	1
Atlantic Tot	\$	1780	48	178

Company	1997	1996	% Chg
Baker Hughes Inc.	257	261	-2
Amesbury Corp.	323	323	0
Amesbury Corp.	49	49	0
Amesbury Corp.	304	304	0
Amesbury Corp.	236	236	0
Amesbury Corp.	370	370	0
Baker Hughes Inc.	130.2	130.2	0
Eq Ind 90-2	190	190	0
Baker Hughes Inc.	744	744	0
Baker Hughes Inc.	187	187	0

Baillie Gifford Tech	11	170
Bankers	+2	+2
Barclay Stratton	195	+1
Baring Brothers	307.67	+4
Berry Stearns	186	186
Beta Global	127	+2
Warrants	48	+1
Brazilian Inv Tr	693.2	0
Warrants	37.5	4
British Assets	168	+1

Company	1995	1996	% Change	1997
Bell Canada	140	140	0	140
Bell Canada	90	90	0	90
Windsor	20	20	0	20
British Tel	196	196	0	196
Broadway Tel	115	115	0	115
Boulevard	200	200	0	200
CU Environmental	90	90	0	90
Windsor	40	40	0	40
Candover	296	296	0	296
Costco Chain	50	50	0	50
Windsor	18	18	0	18

China Int'l Tel	93	100
Wuxian	20	61
City Int'l High Yld	149	+1
City of Oxford	34	+1
Wuxian	6	+1
Zenith Int'l	94	+1
Coast America	178	+1
Wuxian	84	84
Central-Cycl Inc	702	+1
Cap	17	17
Zenith Int'l	82	+1

County Smelter	84	+1	85
Warrants	20	+3	23
Danone Inc.	78	+1	79
Cap	35		36
Restorator	112	+2	114
Warrants	15		16
6 1/2% RPI-Lnk	2357		2357
Dorby Inc.	140	+1	141
Cap	275		276
Danaher Blue Chip	17	+4	21
Zenon Pl	191	+1	192

Dreyfus Big 6 Ind. & <input type="checkbox"/>	79	+1	79
Wanamans	2		10%
Dreyfus Far East - <input type="checkbox"/>	132d	+1	132d
Dreyfus Korea - <input type="checkbox"/>	114		122d
Wanamans	44	-	50%
Dreyfus Pac. - <input type="checkbox"/>	103	+2	103d
Pd Growth	130d	+2	130d
Dowd & Son	280	+7	280
Dowd & Son Gdt	6-42	+11	2-40
Dowd & Son W. Ind.	653	+11	653d
ECU Trust	88		88d

Warriors	39	+1	64
EFM Dragon	29	—	20%
Warriors	107½	+½	107½
Warriors 2005	11	+½	11
EFM Inc.	48	—	81
Zoro Div Pt	87	+½	87
EFM Japan	188½	+½	188½
Warriors	92	+1	92
EFM Jew	35	—	40
Warriors	19	—	19
Easton Inc	102	—	102

Station	1991	1992	% Change
Warrants	46	46	+1
East German	181	181	0
Edinburgh Inv	294	294	+2
Electric	201	201	+6
Elect & Gas	169	169	0
Eng & Caled	142	142	0
Eng & Scot	113	113	0
Warrants	38	38	+2
English Nat Pld	328	328	0
Old	253	254	0
Family Connect	685	685	0

Bid.	1080	---	1150
Grand Slam Corp. <input type="checkbox"/>	773	---	225
Warrants <input type="checkbox"/>	94	---	61
Exeter Ptd Cap <input type="checkbox"/>	113	+2	113
Zero Day 2002	504 1/2	---	504 1/2
Essex Dual	22	+1	22
Inc	23 1/2	+1	83
Zero Cap P1	206	+3	203 1/2
Fidelity Euro Vale	146	+5	146
Warrants	90	+1	50
<b>Total</b>	<b>50</b>		

First Lady	102	+1	102
First South Co.	183	—	183
Zero Pl.	174	+12	174
First Tel.	122	+1	122
A.	128	—	128
First Ireland	88	—	88
Warrick	29	—	29
First Phillips	82	+1	83
Warrick	28	—	28
First Spanish	71	—	72
Warrick	18	—	18

Warrens 1997	12	73
Ch Ln 1997	86	70
Flamingo American	298	284
7pc Ch Ln '99	\$280	+1 \$281
Flamingo Clearwater	217	+1 217
Flamingo Coral Sea	308	+0 308
Flamingo Easy Mile	158	+2 159
Warrens	79	+2 79
Flamingo Est	198	+1 198
Flamingo Est Ridge	81	83

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Cap \_\_\_\_\_  
Signed \_\_\_\_\_

Contract Number \_\_\_\_\_  
 Quantity \_\_\_\_\_

14-00000

**WATER**

[illegible]

**Wages:**

Cap	2000	400	2000
10 & 12 Avenue Inc 25	42	0	42

Cap \_\_\_\_\_ 1965 07 1965  
Miles \_\_\_\_\_ 1965 1965

1. NAME	2. DATE	3. TIME
4. LOCATION	5. WEATHER	6. MOON
7. WIND	8. SEA	9. WAVE
10. TEMPERATURE	11. HUMIDITY	12. PRESSURE
13. WIND DIRECTION	14. WAVE DIRECTION	15. WAVE PERIOD
16. WAVE HEIGHT	17. WAVE LENGTH	18. WAVE VELOCITY
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94. WAVE HEIGHT	95. WAVE PERIOD	96. WAVE VELOCITY
97. WAVE LENGTH	98. WAVE VELOCITY	99. WAVE HEIGHT
100. WAVE PERIOD	101. WAVE VELOCITY	102. WAVE LENGTH
103. WAVE HEIGHT		

姓名	性别	年龄	职业
张德胜	男	45	教师
李秀英	女	38	医生
王小明	男	25	学生
赵小红	女	22	护士
陈大伟	男	30	工程师
周丽娟	女	28	会计
吴国强	男	35	经理
郑小华	女	20	实习生
孙文杰	男	27	程序员
马海燕	女	32	研究员
徐志远	男	33	设计师
高丽娜	女	29	翻译
林天宇	男	24	记者
黄晓芳	女	31	律师
宋浩然	男	26	作家
李思敏	女	23	模特
张宏伟	男	36	企业家
周美玲	女	34	歌手
吴俊杰	男	21	运动员
郑晓燕	女	25	舞蹈家
孙志强	男	37	科学家
马静怡	女	30	画家
徐文博	男	28	音乐家
高悦玲	女	26	作家
林浩然	男	22	学生
黄丽娟	女	24	教师
宋文杰	男	27	医生
李思敏	女	29	护士
张宏伟	男	31	工程师
周美玲	女	33	会计
吴俊杰	男	35	经理
郑晓燕	女	37	研究员
孙志强	男	39	设计师
马静怡	女	41	翻译
徐文博	男	43	记者
高悦玲	女	45	律师
林浩然	男	47	作家
黄丽娟	女	49	模特
宋文杰	男	51	企业家
李思敏	女	53	歌手
张宏伟	男	55	运动员
周美玲	女	57	舞蹈家
吴俊杰	男	59	科学家
郑晓燕	女	61	画家
孙志强	男	63	音乐家
马静怡	女	65	作家
徐文博	男	67	学生
高悦玲	女	69	教师
林浩然	男	71	医生
黄丽娟	女	73	护士
宋文杰	男	75	工程师
李思敏	女	77	会计
张宏伟	男	79	经理
周美玲	女	81	研究员
吴俊杰	男	83	设计师
郑晓燕	女	85	翻译
孙志强	男	87	记者
马静怡	女	89	律师
徐文博	男	91	作家
高悦玲	女	93	模特
林浩然	男	95	企业家
黄丽娟	女	97	歌手
宋文杰	男	99	运动员
李思敏	女	101	舞蹈家
张宏伟	男	103	科学家
周美玲	女	105	画家
吴俊杰	男	107	音乐家
郑晓燕	女	109	作家
孙志强	男	111	学生
马静怡	女	113	教师
徐文博	男	115	医生
高悦玲	女	117	护士
林浩然	男	119	工程师
黄丽娟	女	121	会计
宋文杰	男	123	经理
李思敏	女	125	研究员
张宏伟	男	127	设计师
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高悦玲	女	141	歌手
林浩然	男	143	运动员
黄丽娟	女	145	舞蹈家
宋文杰	男	147	科学家
李思敏	女	149	画家
张宏伟	男	151	音乐家
周美玲	女	153	作家
吴俊杰	男	155	学生
郑晓燕	女	157	教师
孙志强	男	159	医生
马静怡	女	161	护士
徐文博	男	163	工程师
高悦玲	女	165	会计
林浩然	男	167	经理
黄丽娟	女	169	研究员
宋文杰	男	171	设计师
李思敏	女	173	翻译
张宏伟	男	175	记者
周美玲	女	177	律师
吴俊杰	男	179	作家
郑晓燕	女	181	模特
孙志强	男	183	企业家
马静怡	女	185	歌手
徐文博	男	1	

133	+5	133
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EXP. Dtd 2008	EXP. 04	EXP. 01	EXP. 01
New Profile	94	+1	00

Lines Group  $\frac{1}{2}$  30 +2 30  
 Zero Pt 2025 +1 2025

Personal Needs \_\_\_\_\_ 223  
 Pilot Log \_\_\_\_\_ 224

Wardrobe	27	77
2mm 1944	27	77

DATE: 11/17/1971

Zero Div Pl	1961	+2	1962
Govt American	1961	+3	1962

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INVESTMENT TRUSTS - Cont.

Stock	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598</
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**LUXEMBOURG (REGULATED)\***

## SWITZERLAND (SIR RECOGNIS

## OTHER OFFSHORE FUNDS

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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Reserves push down franc

THE French franc and Danish krone came under renewed pressure in the reformed exchange rate mechanism yesterday as dealers took the view that the currencies could not be sustained much longer by high interest rates, writes James Blitz.

Both currencies have kept liquidity tight in their money markets to preserve their currencies' parities with the D-Mark. But the lack of foreign exchange reserves in their central banks highlighted the weakness in the high interest rate policy.

In its reserve figures for the week to August 5, the Bank of France revealed that it probably has a large deficit following intervention to support the French franc earlier this month.

Mr Robin Marshall of Chase Manhattan Bank has said that the French have a net debt of FF350bn and that, even if it were to liquidate all its gold and ecu holdings, the Bank would still be FF30bn "in the red".

Mr Marshall's assessment is among the more pessimistic. But the news on the reserves forced the French franc down to a low of FF3.54 yesterday. It later closed at FF3.514 to the D-Mark.

The Danish krone, which has been supported by the Danish central bank, also fell back yesterday, falling from about DK4.06 to the D-Mark to a London close of DK4.1135. It was striking yesterday that the Danish krone was 6.98 percent above the D-Mark, compared to the 2.25 percent points of fluctuation permitted before the ERM reform.

The ERM aside, the main focus in currency markets was on the Japanese yen, which again moved upwards to another post-war high of ¥103.00 against the dollar, after it closed at ¥102.50 in London at ¥103.15, down from a previous close of ¥103.70.

The Bank of Japan intervened substantially to support the yen, with the pound closed at DM2.5175.

The currency, with some dealers suggesting that several billion dollars were bought in attempts to push the currency down. The Bank also called for concerted G-7 intervention on the dollar/yen exchange rate, but there was no comment at all on the issue from US officials.

The dollar, however, was somewhat stronger against the D-Mark, closing at DM1.7200 from a previous DM1.7180. Dealers said that a modest 0.1 percent point rise in US retail sales in July had little impact on the currency.

Sterling weakened by 1½ pence against the D-Mark yesterday in the wake of poorer than expected figures for manufacturing output and unemployment in the UK. There are expectations that the British government will cut interest rates, but this was not reflected in money markets.

The pound closed at DM2.5175, down from a previous close of DM2.5180. Dealers said that a modest 0.1 percent point rise in US retail sales in July had little impact on the currency.

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## FINANCIAL FUTURES AND OPTIONS

## LIFE LONG TERM FUTURES

Strike	Call	Put	Settlement
110	2.38	2.31	0.10
112	1.11	1.11	0.10
114	0.54	0.54	0.10
116	0.28	0.28	0.10
118	0.15	0.15	0.10
120	0.08	0.08	0.10
122	0.04	0.04	0.10
124	0.02	0.02	0.10
126	0.01	0.01	0.10
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## FINANCIAL FUTURES AND OPTIONS

## LIFE LONG TERM FUTURES

Strike	Call	Put	Settlement
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[illegible]



**4 pm close August 12**

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]



Pr	St	Age	High	Low	Last	Chang	
0.02	6	18	62	66	64		
0.05	2	26	85	87	85		
0.06	6	24	108	110	108		
0.12	1	14	42	4	4		
	13	52	62	37	32	+1	
	81	6	6	6	6	+1	
	11	7	7	64	4	+1	
	0.24	18	140	234	233	+1	
	1.04	12	101	894	39	+1	
	0.54	12	81	89	89	+1	
	0.12	14	485	184	177	+1	
	8	582	19	181	182	+1	
	14	51	874	874	874	+1	
	19	180	60	73	73	+1	
	0.20	22	1557	314	301	+1	
	5	7054	113	11	11	+1	
	20	88	104	104	104	+1	
	47	3707	704	61	68	+1	
- R -							
	13	565	27	264	27		
	23	322	142	14	14		
	5	607	87	612	87		
	26	26	26	26	26		
	18	436	273	214	214		
	47	179	115	123	123		
	13	234	124	114	114		
	14	64	67	67	67		
	17	711	4	35	34		
	18	359	124	11	11		
	0.69	24	1951	69	684		
	0.56	11	37	364	364		
	5	140	488	591	528		
	0.46	14	456	14	14		
	1.100	11	50	434	42		
	10	288	144	131	132		
	0.60	51	420	184	173		
	0.48	21	252	181	10		
	0.48	21	252	181	10		
	14	2204	84	8	8		
- S -							
	1.80	14	1917	645	64		
	0.02	17	307	184	174		
	0.20	17	307	184	174		
	0.15	17	307	184	174		
	15	169	60	58	58		
	18	2536	201	194	194		
	0.54	9	4319	27	264		
	0.52	9	4319	27	264		
	1.201	12	168	164	174		
	0.12	52	173	111	114		
	0.36	0	72	61	61		
	1.12	15	38	38	38		
	27	3855	142	144	144		
	0.08	14	54	142	124		
	0.04	16	683	212	214		
	131	193	104	101	101		
	11	52	10	94	94		
	13	188	185	144	144		
	8	516	174	174	174		
	6	61	474	4	4		
	0.29	13	167	491	47		
	2	197	4	2	2		
	0.06	17	31	104	104		
	112	2638	124	12	12		
	0.56	20	30	26	26		
	101	95	154	154	154		
	0.30	30	557	1201	194	204	
		81208	64	574	574		
		12	87834	174	174		
	0.20	10	1909	214	202	194	
	2.60	13	20	474	454	454	
	0.08	11	706	174	174	174	
	0.28	27	287	241	231	234	
	0.40	9	434	394	294	294	
	0.50	18	501	454	354	354	
	1.16	11	106	364	351	351	
	0.52	15	1818	357	338	338	
	0.10	14	1447	19	19	19	
	0.02	13	426	20	194	194	
	0.05	28	49	21	201	201	
	0.28	2	105	69	69	69	
	0.10	10	181	174	174	174	
	1.10	13	111	704	194	20	
	49	6030	214	204	204	204	
	0.24	72	1561	204	204	204	
	30	30	79	174	174	174	
	1.5	162	5	434	201	204	
	0.30	19	537	424	794	24	
	102	31	102	102	102	102	
		437	25	2	2	2	
		722222	24	24	24	24	
		722222	24	24	24	24	
		563675	174	174	174	174	
		14	2628	174	151	151	
	0.45	16	288	184	171	184	
		2	2	2	2	2	
		2	863	70	94	94	
		31	741	131	12	125	
		287447	90	86	50	50	
	0.12	30	564	231	23	231	
		167	147	11	104	104	
		96	1271	47	47	412	
- T -							
	5	5771	2	2	2		
	26	202	118	64	64		
	0.84	21	1650	661	583	59	

	21	746	25 <sup>2</sup>	29	26 <sup>2</sup>	<sup>2</sup>
0.00	12	66	36	36	36	<sup>2</sup>
	2	255	6 <sup>2</sup>	6 <sup>2</sup>	6 <sup>2</sup>	<sup>2</sup>
	150	734	5	7 <sup>2</sup>	7 <sup>2</sup>	<sup>2</sup>
	33	333	24 <sup>2</sup>	23 <sup>2</sup>	23 <sup>2</sup>	<sup>2</sup>
	3	358	9 <sup>2</sup>	4 <sup>2</sup>	4 <sup>2</sup>	<sup>2</sup>
	35	1285	5 <sup>2</sup>	5 <sup>2</sup>	5 <sup>2</sup>	<sup>2</sup>
0.01	9	551	12 <sup>2</sup>	11 <sup>2</sup>	11 <sup>2</sup>	<sup>2</sup>
	412	412	75	75	75	<sup>2</sup>
	18	6791	3 <sup>2</sup>	22 <sup>2</sup>	22 <sup>2</sup>	<sup>2</sup>
	42	42	367	367	367	<sup>2</sup>
	22	2876	7 <sup>2</sup>	8 <sup>2</sup>	8 <sup>2</sup>	<sup>2</sup>
	0.07	34	187	65 <sup>2</sup>	65 <sup>2</sup>	<sup>2</sup>
	23	1431	14 <sup>2</sup>	13 <sup>2</sup>	13 <sup>2</sup>	<sup>2</sup>
0.028	29	3365	9	8 <sup>2</sup>	8 <sup>2</sup>	<sup>2</sup>
	28	1915	10 <sup>2</sup>	10 <sup>2</sup>	10 <sup>2</sup>	<sup>2</sup>
	11	774	15 <sup>2</sup>	14	15 <sup>2</sup>	<sup>2</sup>
0.68	15	85	42	42 <sup>2</sup>	42 <sup>2</sup>	<sup>2</sup>
	22	115	26 <sup>2</sup>	24 <sup>2</sup>	24 <sup>2</sup>	<sup>2</sup>
	163	88	12 <sup>2</sup>	12 <sup>2</sup>	12 <sup>2</sup>	<sup>2</sup>
60	12	18	64 <sup>2</sup>	42	43 <sup>2</sup>	<sup>2</sup>
	30	1928	15 <sup>2</sup>	14 <sup>2</sup>	14 <sup>2</sup>	<sup>2</sup>
0.04	16	2422	20 <sup>2</sup>	20 <sup>2</sup>	20 <sup>2</sup>	<sup>2</sup>

**- U -**

0.04	23	236236	4 <sup>2</sup>	42 <sup>2</sup>	45 <sup>2</sup>	<sup>2</sup>
	2	1386	15 <sup>2</sup>	6 <sup>2</sup>	6 <sup>2</sup>	<sup>2</sup>
0.08	15	85	19	19	19	<sup>2</sup>
	88	13	66 <sup>2</sup>	65 <sup>2</sup>	65 <sup>2</sup>	<sup>2</sup>
0.20	13	83	12 <sup>2</sup>	12 <sup>2</sup>	12 <sup>2</sup>	<sup>2</sup>
0.20	16	512	20 <sup>2</sup>	19 <sup>2</sup>	19 <sup>2</sup>	<sup>2</sup>
	40	13	129 <sup>2</sup>	34 <sup>2</sup>	34 <sup>2</sup>	<sup>2</sup>
0.88	11	638	25 <sup>2</sup>	25 <sup>2</sup>	25 <sup>2</sup>	<sup>2</sup>
	180	408	52 <sup>2</sup>	52 <sup>2</sup>	52 <sup>2</sup>	<sup>2</sup>
32	32	34	10	10 <sup>2</sup>	10 <sup>2</sup>	<sup>2</sup>
	17	163	10 <sup>2</sup>	10 <sup>2</sup>	10 <sup>2</sup>	<sup>2</sup>
	8	2323 <sup>2</sup>	34 <sup>2</sup>	34 <sup>2</sup>	34 <sup>2</sup>	<sup>2</sup>
	12	470	67 <sup>2</sup>	6	6 <sup>2</sup>	<sup>2</sup>

**- V -**

43	986	602 <sup>2</sup>	65 <sup>2</sup>	68 <sup>2</sup>	68 <sup>2</sup>	<sup>2</sup>
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25	216	23	25%	27%	
3	46	14	14%	14%	-.7
9	56	6	14%	18%	-.6
39	254	620	12	21%	-1%
	171	380	10	14%	14%
04	9	112	56%	55%	+0%

- W -					
008	20	733	23%	23%	+%
	19	1403	3	34%	+%
56	10	1215	39%	38%	+%
44	10	536	27	27	-.6
26	16	570	37	35%	+%
76	19	1395	38	37	-.8
17	106	148	46%	47	-.1
10	126	151	11%	10%	-.6
62	12	411	41%	39%	-.2
	13	765	14%	14	14%
	16	29	4%		
88	23	808	40%	39	38%
13	82	22%	71	71%	-.3
40322	842	16%	16	16%	-.6
28	12	361	18%	18	18%
85	35	803	34%	34%	-.4
73	2	94	5%	2%	-.2
40	1	529	3%	3%	-.2

- X - Y - Z -					
33	1622	43%	42%	42%	-.1
3	438	6%	6%	6%	-.4
94	15	956	23%	23%	-.2
91	818	61%	61%	61%	-.6
84	12	88	33	31%	42%



## AMERICA

## Dow subsides in spite of good inflation data

## Wall Street

AN UPSURGE in bonds failed to lift US stock markets yesterday morning, with share prices falling sharply on futures-related selling and profit-taking, writes Patrick Horserson in New York.

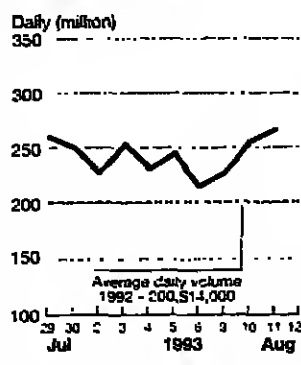
At 1pm, the Dow Jones Industrial Average was down 26.55 at 3,556.80. The more broadly based Standard & Poor's 500 was 2.43 lower at 448.03, while the Amex composite was down 1.44 at 437.43, and the Nasdaq composite down 3.52 at 715.25. Trading volume on the NYSE was 177m shares by 1pm.

Although prices opened higher, stocks were unable to sustain the upward momentum in spite of a bond market rally which pushed the yield on the benchmark 30-year issue down to a record 6.38 per cent. The bond market was reacting to surprisingly good inflation data in the form of the July producer prices index, which fell 0.2 per cent. The decline was unexpected, and indicated that inflationary pressures in the economy are even weaker than analysts had thought.

The failure of stocks to follow bonds higher unsettled dealers and investors. This triggered some profit-taking, and in turn, heavy selling in the futures markets. The

Mexican share prices fell on renewed concern about the viability of the North American Free Trade Agreement, following Canadian objections to the deal. By late morning, the 37-share IPC index had dropped by 22.69, or 1.25 per cent, to 1,787.41.

## NYSE volume



decline in futures subsequently set off computerised sell programs in the underlying cash markets, depressing stocks further.

Equities may have been troubled, too, by the day's other main economic data - the 0.1 per cent rise in July retail sales. The increase was smaller than forecast, and suggests that consumers remain reluc-

tant to spend heavily while the economy stumbles and the labour market remains depressed.

Among individual stocks, healthcare companies rebounded from Wednesday's big losses after the White House said that a document circulating around Wall Street, which was reportedly a draft of the Clinton administration's healthcare reform initiative, was a fake. The announcement lifted HMO America 1% to \$34, United Healthcare 2% to \$55, and US Healthcare, which is quoted on the Nasdaq market, 1% to \$43.

Johnson & Johnson rose 1/2% to \$36, as the stock rallied from losses incurred earlier in the week when the company said it was eliminating 3,000 jobs as part of a cost-cutting programme. The share prices had started the day at a 52-week low. Other drug stocks, however, succumbed to selling. T2 Medical plunged 4% to \$3, in volume of 1.6m shares after the company said that it would restate earnings for the first and second quarters after irregularities were discovered in the company's accounts.

## Canada

TORONTO gave up a small early advance and by noon, the TSE-300 index was 1.05 lower at 4,000.84.

## EUROPE

## UBS delights Swiss bank supporters

HIGHLIGHTS of the day included reaction to the UBS results in Switzerland and the consolidation of overnight gains in Germany, writes Our Markets Staff.

ZURICH powered ahead after UBS unveiled a net profit rise of 89 per cent, confounding even the most optimistic estimates of around 50 per cent. The SMI index rose 39.3 or 1.6 per cent at an all-time high of 2,450.0, amid broadly based buying by domestic and foreign investors.

UBS added SF22 to SF11.221 after a record intra-day high of SF11.238 and the upbeat mood spilled over to the other banks which are also due to report soon. SBC rose SF14 to SF178 and CS Holding was SF80 ahead at SF17.860.

Among industrials, Sandoz registered shares added SF115 to SF13.155 as the group confirmed that it was expecting a stronger second half performance.

FRANKFURT incorporated Wednesday's post-bourse climb to 1,894.63 as the DAX index broke 1,900 to close 39.15, or 2.1 per cent higher at 1,904.95. It appeared to be going for a repeat performance yesterday afternoon as the bid-ask spread approached 1,920, although it subsided later to 1,908.78.

Turnover jumped from DM8.4bn to DM12.2bn. Mr James Cornish at NatWest Securities said that any time the market has fallen recently, American buyers have come in - compensating for potential currency losses on the rising dollar by buying dollar-sensitive, German exporters.

One of Germany's super-sensitive stocks, Volkswagen, showed the American effect yesterday, rising DM15 to DM394.50 over the official session, as high as DM398.8 at DM393. Other cyclical exporters like Daimler, engineers and steel showed up well, Thyssen in particular climbing DM12.50 to DM218.

Mr Nigel Longley, at Commerzbank, said that UK and later, US buying yesterday lifted domestic traders effectively short. "They didn't have the shares to cope with US afternoon demand," he said.

MILAN held up firmly for much of the session but some late profit-taking left shares off their best levels and the Comit index finished just 2.18 better, at a high for the year of 590.96. Ferruzzi and Montedison resumed trading after their two-day suspension. Analysts believed that short covering

## FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES									
		Open	10.30	11.00	12.00	13.00	14.00	15.00	16.00	Close	Change
Aug 12	Hourly changes										
FT-SE Eurotrack 100		1280.44	1280.22	1280.44	1279.42	1278.91	1281.51	1282.50	1280.94		
FT-SE Eurotrack 200		1283.13	1283.64	1283.91	1283.41	1283.28	1285.02	1281.42	1285.08		
		Aug 10	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	
FT-SE Eurotrack 100		1274.70	1281.80	1280.95	1272.34	1278.05	1278.05	1278.05	1278.05	1278.05	
FT-SE Eurotrack 200		1284.58	1284.51	1282.97	1284.44	1284.44	1284.44	1284.44	1284.44	1284.44	

Size value 100 (25/10/92) 100 - 1282.42, 100 - 1281.15, 100 - 1278.05, 100 - 1278.05, 100 - 1278.05

helped Ferruzzi to recoup a large part of its early losses to finish L290 or 28.8 per cent lower at L290. The shares were marked 75 per cent down at L101 in early trading. Montedison fell 20 per cent at the opening, but finished L59.5, or 7.7 per cent lower at L710, its announcement of an increase in first-half operating profit giving support.

Oliveri, L56 higher at L2.115 and its parent, Cir, L70 higher at L1.700, were unable to maintain their best levels of the day. Both had gained strongly in recent days on renewed rumours that DEC of the US might want an increased Olivetti stake.

AMSTERDAM continued its record breaking run, but closed below its best in busy, volatile trading. The CBS Tendency index rose 1.3 to 128.40. KLM set an intra-day high for the year of F138.90 after

FFr18 to FFr47.50, and FFr2.40 to FFr55.50 respectively.

MADRID set a new 1993 high, the general index closing 4.30, or 1.8 per cent higher at 278.48 as turnover rose from Ptas20.7bn to Ptas25.4bn.

In banks, Banesto extended Wednesday's climb on its funding successes, rising Ptas25 to Ptas3,000 for a two-day gain of 12.9 per cent; this time it was followed by Argentaria, Ptas200 higher at Ptas350.

STOCKHOLM rallied after the central bank lowered its key interest rate by 25 basis points to 8.0 per cent. The Affarsvärden index rose 26.8, or 2.1 per cent to a year's high of 1,287.1.

COPENHAGEN climbed in lively trading with exporters benefitting from the lower krona and the KFX index rose 1.40 to 98.18. Novo Nordisk slipped DKr2 to DKr545 as foreign investors took profits.

OSLO soared 3 per cent to record volume as hopes built up for lower interest rates. The all-share index jumped 18.95 to 500.59 turnover of NKr1.7bn.

BRUSSELS turned its attention to industrial stocks, and the market closed sharply higher but off morning record. The BEL20 index rose 15.89 or 1.3 per cent to 1,365.18, turnover of BFr1.5bn.

## Finland's hopes stay high after phenomenal gains

Christopher Brown-Humes on Helsinki's prospects

ASK FINNISH analysts whether the Helsinki stock market can continue its phenomenal performance and they will probably answer in the affirmative. Far from being overbought, they will say, many shares still look cheap on international comparisons and the fundamentals are still strong enough to ensure that any setbacks are only temporary.

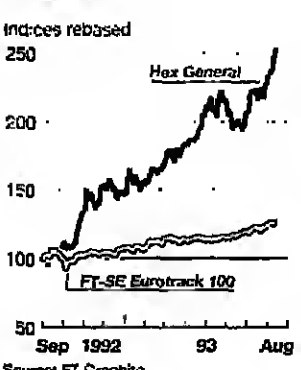
The Hex index closed another 40.3 higher yesterday at a new high of 1,426.0, 72 per cent up this year and comfortably more than double its 541 level on September 7 last year. Its upward momentum is being fuelled by falling interest rates - the Bank of Finland yesterday announced a half percentage point cut in base rates to 6.0 per cent - and the rapidly improving position of the country's leading exporters following the sharp depreciation of the markka in the last two years.

In addition, there has been heavy foreign buying following the relaxation of restrictions on foreign share ownership at the start of the year. The belief that the market has further to go stems from expectations of yet lower interest rates, hopes for a gradual recovery in the Finnish economy, and a belief that the earnings of leading Finnish exporters will improve strongly in 1994 and 1995.

Mr Kim Lindstrom, managing director of UBF Fund Management Ltd, believes that the Hex index will exceed its all-time high of 2,009, which it struck in April 1989, either next year or in 1995.

Mr Esko Haavisto, head of investment research at Kansai-

## Finland



Source: FT Graphite

index is the more extraordinary because of bleak conditions in the domestic economy. A recent forecast suggests that the Finnish economy will shrink 2 per cent this year, the third consecutive year of decline, and grow only slightly in 1994. But this only underlines the ambivalent nature of the Helsinki stock exchange, which is dominated by large exporting groups and has comparatively few companies, such as construction groups, which are exposed to the domestic situation.

Undoubtedly, some of the buying has had a speculative flavour to it, none more so

than in the banking sector, which has risen by around 150 per cent this year in the face of the country's continued financial sector crisis. The downside risks are all too obvious, given that many of the country's main banks may not be back in profit until 1996.

More generally, the market remains subject to nervousness about developments in its eastern neighbour, Russia. And there are fears about squabbles on the political front at home - either because the government is unable to agree its budget in the current environment of austerity or because this autumn's wage round proves difficult. There are fears that workers will demand big pay rises because of the improving performance of the export companies, but the ability of domestically-orientated groups to increase wages is almost non-existent.

A final factor which could unsettle the market is evidence that corporate profits are not improving as much as expected, given that analysts are already valuing companies on their prospects in 1994 and 1995.

KOP Investment Research, for example, is expecting net profits of Finnish companies (excluding banks) in rebound to a Fm5.65bn this year from a Fm5.65bn loss last year, before moving ahead to a Fm5.83bn profit next year. This could prove a tall order in the current international recession, at a time of more volatile currency movements, notwithstanding a 23 per cent rise in Finland's first half exports.

## ASIA PACIFIC

## Foreign demand helps fuel Nikkei advance

## Tokyo

ACTIVE buying by foreign investors boosted volume, and share prices gained marginal ground on purchases of large-capital and telecommunications-related issues, writes Emilio Fernandez in Tokyo.

The Nikkei average gained 32.71 to 20,765.25, rising for the fourth consecutive day. It saw a day's high of 20,939.39 to early trading, but profit-taking brought it to a low of 20,708.47 in the afternoon.

Volume jumped from 379m to 500m shares, its highest since June 11. Traders noted heavy buying by US mutual funds, shifting capital from US treasury bonds. Winners led losers by 655 to 314 with 183 unchanged. The Topix index of all first section stocks rose 5.95 to 1,855.16 and, in London, the ISE/Nikkei 50 index rose 1.44 to 1,233.74.

A rise in overseas stock markets supported sentiment; conversely, the continued strength of the yen prompted some foreign investors to take profits. The dollar closed down Y0.40 at Y103.37, falling to a record low of Y100.30 in the afternoon.

Some market participants were encouraged by the large number of bids accepted for the state owned East Japan Railway share auction. The JNR Settlement received a total of 18,670 bids, 14,508 from individuals and 4,162 from corporations. Successful bidders will be selected on August 26, with the public offering priced fixed on August 30.

Nippon Steel, the most active issue, rose Y13 to Y383 on buying by overseas investors.

## SOUTH AFRICA

GOLD shares failed to respond to a bullion price which firmed during the day, leaving the gold index with a fall of 47 to 1,783, its lowest level since late June. Industrials added 3 to 4,571 and the overall index dipped 11 to 4,031.

## Roundup

PACIFIC Rim markets turned in mostly positive performances. Bangkok was closed for a public holiday.

AUSTRALIA soared to a fresh post-1987 crash high after Channel Seven's debut boosted sentiment. The All Ordinaries index closed up 12.3 at 1,873.3. Channel Seven closed at AS2.73 after listing at a 65 cent premium to the AS200 issue price in volume of 16.9m.

BOMBAY was sharply higher, in spite of stepping back from the day's best levels, after mid-session profit-taking. The BSE index added 109.83 at 2,490.79.

TAIWAN moved ahead after a wave of late buying, with the mood remaining positive ahead of the ruling Nationalist Party's congress next week.

The weighted index waved narrowly all session before ending 26.71 points, up at 1,410.75. Turnover was a record of T\$1.7bn after Wednesday's 2,826.52m.

NEW ZEALAND closed firmer, following strength on overseas houses and to a partial bounce in Telecom. The NZSE40 capital index ended 5.41 higher at 1,888.82, but off its intraday high of 1,899.55.

Telecom firmed 6 cents to NZ\$4.04 after a day's high of \$4.08.

MANILA moved ahead as local investors turned their attention to selected blue chip issues after taking profits on the newly-listed J.G. Summit. The market index rose 4.01 to 1,545.18.

PHILIPPINE and Philippine National Bank each rose 16 points to 1,105 pesos and 37.18 pesos, while J.C. Summit finished at 7 pesos, up from Wednesday's 6.50 pesos.

HONG KONG had a flat day with second line China-related stocks continuing to dominate dealings amid a full afternoon blue chips. The Hang Seng index was 18.08 lower at 7,386.55 after opening up 54 points on London and New York's record highs overnight.

All the securities have been sold, this announcement appears as a matter of record only.

New Issue, August 1993.



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FT-ACTUARIES WORLD INDICES  
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited  
in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		WEDNESDAY AUGUST 11 1993										TUESDAY AUGUST 10 1993										DOLLAR INDEX																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
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